**Mexican wave**

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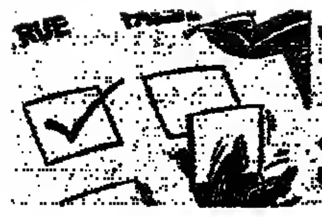

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# FINANCIAL TIMES

Europe's Business Newspaper MONDAY MARCH 28 1994 D8523A


## Eurofighter makes maiden flight after two year delay

The Eurofighter 2000 combat aircraft (above) made a 40-minute maiden flight yesterday at Manching in Germany. Eurofighter, being developed by a consortium comprising British Aerospace in the UK, Alenia in Italy, Casa in Spain and Dasa in Germany, is two years behind schedule after a series of technical and political problems. Production is expected to begin in 1996 or 1997 and development and production costs are expected to reach $47bn.

**BCCI auditors face $11bn claims:** Auditors to the collapsed Bank of Credit and Commerce International face claims from the liquidators of up to $11bn, according to legal documents updating the original action. Page 6

**Silver expected to reach $6 an ounce:** The price of silver is almost certain to go above $6 a troy ounce this week for the first time since March 1989, driven up by large speculative commodity funds which are targeting the market. Page 13

**Air France sets deadline for unions:** Air France bas given its 14 trade unions until Thursday to agree to a restructuring plan aimed at curbing losses at the French state-owned airline. Page 2

**South Korea seeks help from China:** Sonth Korean president Kim Young-sam will today urge China to exert pressure on North Korea to open its nuclear sites to international inspection. Page 4

**ANC pledge over Natal:** The African National Congress said it would escalate mass protest action aimed at ensuring free political activity in the strife-torn Natal province. Page 12

**Banesto battle begins:** The battle for control of troubled Spanish bank Banco Español de Crédito opens in earnest this week following approval by shareholders of a Bank of Spain-sponsored rescue plan. Page 13

**Coca Cola given penalty tax bill:** The Japanese tax authorities have issued Coca Cola Japan, a subsidiary of the world's largest soft drinks company, with a penalty tax bill of Y15bn ($139m) for improper income transfers. Page 4

**Pay deal below German inflation:** About 1.4m German construction workers will receive 2.4 per ceot pay rises, the biggest award so far this year, but still below forecast inflation of 3 per cent. Page 4

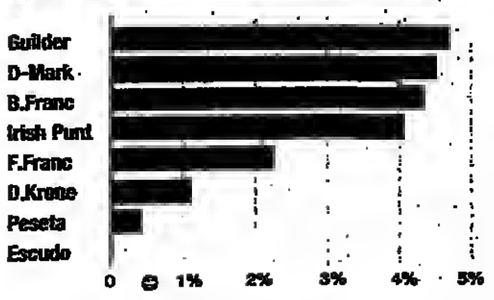
**Italtel and Siemens form partnership:** Italtel, manufacturing subsidiary of Italy's state-owned telecommunications group, and Siemens of Germany are to form a company which will combine the operations of Italtel and the Italian telecoms affiliate of Siemens. Page 15

**Germany expected to hamper EU recovery:** Bonn's problems in the financing of eastern Germany, and a continuing fall in industrial competitiveness, will hold back recovery across Europe, a report by Barclays Bank of the UK says. Page 4

**Zantac under threat:** Anti-ulcer drug Zantac, made by Glaxo of the UK comes under threat tomorrow when a new treatment involving Losec, its chief competitor, made by Astra of Sweden, becomes available in the UK. Page 13

**European Monetary System:** In a week which saw the D-Mark generally firmer, the punt slipped down to fourth spot in the EMS grid after a long spell as the strongest currency. The guilder, the Belgian franc and the D-Mark are now closely bunched at the top of the grid while the escudo has lost more ground at the bottom. Currencies, Page 31

**EMS: Grid** March 25, 1994




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in o 2.25 per cent band.*

**Direct New York flight launched:** Aer Lingus began the first scheduled non-stop air service between Dublin and New York following the lifting of the rule that all transatlantic flights had to land at Shannon airport in Co Clare.

**75 hurt in Egyptian train crash:** Seventy-five people were injured, 11 critically, when two trains collided bead-on in the Nile Delta region of Egypt.

**Brazilian Grand Prix:** Germany's Michael Schumacher, driving a Benetton-Ford, won the first race of the new motor racing season, the Brazilian Grand Prix in Sao Paulo. Damon Hill of Britain, in a Williams, was second.

Spanish decision to compromise increases pressure on Major government

# UK isolated in EU votes deal

By Lionel Barber in Ioannina, Greece

The UK was under intense pressure last night to accept a compromisa over reforms to European Union voting procedures that falls well short of its demands and leaves the planned anlargement of the European Union on a knife-edge.

After two days of talks in Greece, EU foreign ministers agreed to try to complete a deal, based on a compromise brokered by the Greek presidency, by 6pm tomorrow.

The compromise offer puts British prime minister John Major under intense pressure, after Spain, which had joined the UK in opposition, signalled it was ready to settle. The British cabinet will discuss the issue tomorrow.

The UK ran into a brick wall over its requests to maintain a threshold of 23 votes as the blocking minority after the admission of Finland, Sweden, Austria and Norway into the Union next year.

Britain and Spain ara being offered a "reasonable" delay on decisions which are opposed by countries mustering between 23 and 27 votes, which is the proposed new threshold to block legislation. During this period, the Commission and the presidency will he obliged to seek a consensus, "always respecting the rules of procedure", according to the Council text.

Senior EU officials said this language expressly excludes an open-ended discussion. British demands for an indefinite delay on controversial decisions also ran into a wall of resistance.

Current rules would still apply, whereby one member state can call for a vote on controversial legislation on the basis of a simple majority.

The proposed deal attempts to strike a delicate balance. It recognises the need to protect large countries against being outvoted easily in an expanded Union. But it tilts decisively against introducing rules which could paralyse decision-making.

The deal does not meet UK demands for legally-binding guarantees preserving the power of two large member states to join with ooa small country to block decisions in the Council of Ministers.

The latest twist in the power-sharing dispute confronts Mr Major with an acute dilemma. Either he accepts an offer which could trigger a revolt among Tory Euro-sceptics, or he rejects the compromise and risks bearing sole responsibility for delaying enlargement, an aim long supported by the British government.

Mr Douglas Hurd, UK foreign secretary, said "serious work" had been accomplished over the weekend, hut he declined to predict the outcome of the cabinet meeting.

Mr Jacques Delors, president of the European Commission, echoing comments from other EU foreign ministers, suggested Britain had received the best terms available. Withont agreement on voting rights this week, be forecast "an absolute crisis" in the European Union.

Mr Jsvier Solana, Spanisb foreign minister, spoke of a "breakthrough", but Mr Hurd was more cautious.

He said the UK'a partners now accepted that the relationship between the size of countries and their votes could not he hrushed under the carpet. This must be tackled "root and brancb" at the 1996 confarence to review the Maastricht treaty.

Althougb Britain's position will be crucial to an agreement, other countries voiced some reservations about the deal, raising the danger of amendments later this week which could delay final agreement.

Mr Pieter Kooijmans, Dutch foreign minister, said the compromise contained "time-bombs". He pointed to Greece's support for creating a "wise-men" committee, working with the European Parliament, to study institutional reform ahead of the 1996 inter-governmental conference.

Several countries, including France and Germany, ere understood to share Dutch concerns that a committee of "wise men" could re-open wounds whicb appeared during ratification of the Maastricht treaty.

# Oil price fears as output is unchanged

By Robert Corzine in Geneva

Oil markets will give their verdict today on Opec's decision at the weekend not to cut output despite warnings that failure to do so could trigger a further price collapse.

Delegates from the 12 member states of the Organisation of Petroleum Exporting Countries conceded that tbe decision to extend the present production ceiling of 24.52m barrels a day for the remainder of the year could lead to lower prices, especially in the next three months, traditionally the weakest period for oil demand.

But they hrushed aside warnings by Opec's secretariat at their Geneva meeting that prices could fall to single digits unless a cut of 1m barrels a day or more was made. The price of the benchmark Brent Blend closed at $13.91 a barrel on Friday.

The ministers justified their decision by citing forecasts indicating that much higher demand will materialise by the end of the year.

Analysts generally welcomed the rollover of the ceiling. They said Opec's decision to suspend the practice of setting quarterly supply levels in favour of the nine-montb ceiling removed uncertainty from the market. Most also agreed that demand could be sharply higher in the fourth quarter.

"The market needs a cut to push prices up," said Mr Mohammed Abduljabbar, economist with the Washington-based Petroleum Finance Company. An Opec official, however, described it as "damage control."

An attempt to orchestrate a coordinated cut with eight non-Opec producers collapsed when Saudi Arabia, Opec's dominant member accounting for a third of total output, refused to participate.

Saudi Arabia is reluctant to accept any reduction in its 8m barrels a day quota, citing tha fact that it agreed to a freeze at that level last year when most other Opec quotas were raised. It also feared that any price gain from a sizeable cut could be eroded by some Opec members

Continued on Page 12

Opec's heavyweight controls the ring, Page 2

# Fyodorov attacks Russia's $1.5bn deal with IMF

By John Lloyd in Moscow

Mr Boris Fyodorov, the former Russian deputy prime minister in charge of finance, today launches an attack on the agreement reached last week by the International Monetary Fund to provide a $1.5bn loan to Russia.

Mr Fyodorov, who resigned from the government in January in protest against what he described as "the end of reform", writes in today's Financial Times that Russian policies will change "in the wrong direction" once the loan is provided.

"Western taxpayers have a right to know to what end their money is being spent when they have problems of their own back home," he says. "The $1.5bn is immaterial to Russia given the scale of its problems and would be eaten up in a matter of minutes."

Mr Fyodorov, now a leading deputy in the State Duma, the lower house of parliament, said Russian and western experts who claim that Russia is "special", and that therefore reforms must be introduced slowly, should try to live in Russia on a Russian salary for two years.

He says that, before any money is paid, the budget should he passed through parliament and the government's track record on low inflation established. "There is no valid reason to hurry before being reasonably sure that this government's new virtue is real."

Mr Fyodorov's scepticism was supported by Mr Mikhail Sarafanov, director of the National Market Research Institute of the Ministry of Trade, a leading pro-free trade think-tank. He suggests that the IMF loan was at least 75 per cent political and that there is no possibility that the government can stay within the bounds of the budget.


- Gerashchenko, great survivor of the central bank Page 2
- Fyodorov on the dangers of western gullibility Page 10


The loan, the second trancbe of the $3bn systemic transformation facility, intended to aid the restructuring of tbe Russian economy, will be recommended by Mr Michel Camdessus, the IMF managing director, if the government presents a list of laws and decrees to the parliament. The government must aim to increase budget income, while retaining expenditure at the present level. Mr Camdessus, who

Continued on Page 12

Reuter

Achille Occhetto, leader of the eight-party Progressive Alliance, signals his hopes for victory in the Italian election. Page 12

Bidding soon for buildings in former financial centre

# Shanghai seeks to restore Bund to its glorious past

By Tony Walker, recently in Shanghai

Shanghai will soon auction the stately buildings lining its waterfront, where international and Chinese financial institutions will he bidding for a piece of the city's glorious past.

In what business people have duhbed the "sale of the century", the city's government expects to raise millions of dollars from selling long-term leases for buildings on the Bund, the centre of Chinese finance before the 1949 Communist revolntion.

Mr Xn Kuangdi, Shanghai's vice-mayor, said tenders would be invited in May for 37 buildings, including the majestic former headquarters of the Hongkong and Shanghai Bank, now used by the municipal government.

Shanghai hopes the Bund will again become the country's "Finance Street", and Mr Xn said the anction was part of the government's commitment to "playing a role in the international market".

He said that by early next month, a apecial anthority charged with disposing of buildings on the Bund would begin releasing details of sites for sale, including floor space and the leases. Officials have been talking of 50-year leaseholds.

Representatives of international financial institutions have been waiting for Shanghai to say how it would dispose of the Bund properties, their facades little changed since 1949.

Mr Xn said there was no way of predicting the value of Bund real estate, but judging by soaring rents in less desirable locations, prices should be high and could he astronomical.

At the last count, 28 foreign banks had opened branches in Shanghai, with another dozen expected by the end of this year.

HSBC, Standard Chartered and Citibank are among the foreign banks apparently interested in a Bund location, but bank officials are playing their cards close to their chest.

A HSBC official said that while the bank's old headquarters were "very prestigious", the building was "not exactly suitable for the 20th century".

Proceeds from the sale of leases will he used to relocate government institntions from tbe Bund, and to refurbish Shanghai's crumbling infrastructure. A municipal headquarters is already being built near People's Park, the Shanghai race course of pre-revolntion days.

Mr Xn would like to see the return of the Bank of China, now the foreign currency bank, which was established in 1905 in Shanghai as the Bank of Great Qing, the imperial bank of the Qing Dynasty. But he assured prospective foreign purchasers that Chinese banks would not receive special treatment in the tender process.

"It will be equal for everybody," said Mr Xn. "The successful purchasers will be the ones who can pay the highest price."

Before the revolntion, Shanghai was home to more than 200 foreign banks, and its stock and commodities exchanges were among the world's most active.

Foreign securities firms to join Shanghai exchange, Page 4



| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Lux | LFr65 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Malta | Lm0.60 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Neth | Fl 4.00 | Slovak Rp | KSL50 |
| Cyprus | CC1.10 | India | Rs60 | Nigeria | Naira50 | South Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Finland | FM14 | Jordan | JD1.50 | Philippines | Peso50 | Syria | S£50.00 |
| France | FFr9.00 | Kuwait | Fils.625 | Poland | Zl 32,000 | Tunisia | Din1.500 |
| Germany | DM3.50 | Lebanon | US$1.50 | Portugal | Es225 | Turkey | L13000 |
| | | | | | | UAE | Dh12.00 |

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© THE FINANCIAL TIMES LIMITED 1994 No 32,328 Week No 13 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

'World's worst central banker' is being seen in changed light, writes **John Lloyd**

# New guise for Russia's great survivor

Russia's top banker is a survivor above all else. Mr Victor Gerashchenko, chairman of the Russian central bank, has seen many efforts to remove him from his post. They have all failed.

Sacked from the chairmanship of the Soviet State Bank after the August 1991 coup because he took advantage of it to try to impose some discipline over the bank's republican braoches, he was back in office in under two weeks.

Sacked agein when tbe Soviet Union collapsed in December of the same year, he reappeared as Russian bank chairman by tbe middle of 1992. He was appointed, ahead of Mr Boris Fyodorov, the former deputy premier for finance, by Mr Yegor Gaidar, tben the leader of economic reform in the cabinet.

When Mr Fyodorov took over at the finance, ministry he quickly established the sourest relations with Mr Gerashchenko, blaming him for pushing up inflation through giving soft credits to enterprises. Last April, Mr Fyodorov's pressure was amplified (according to s Russian government adviser) by a request from President Bill Clinton to President Boris Yeltsin at the Vancouver summit that Mr Gerashchenko should go. Mr Yeltsin said, vaguely, he would look into it, and nothing was done.

After another unsuccessful coup in October 1993, Mr Gaidar himself, with Mr Fyodorov, attempted to persuade Mr Yeltsin to fire Mr Gerashchenko, but he withstood the pressure. When resignations did take place in January of this year, it was Mr Gaidar and Mr Fyodorov who left, not Mr Gerashchenko.

Thus the "world's worst central banker", as Professor Jeffrey Sachs has called him, survived to have a joke about the nickname with Mr Michel Camdessus, the International Monetary Fund's managing director, in Moscow last week. Mr Camdessus, buoyed by the conditional agreement he had made with the Russian government to extend it e $1.5bn loan, complimented the central bank for its commitment to tight monetary policies, and to reform.

**President Boris Yeltsin arrived home yesterday after a Black Sea holiday that provoked a rash of rumours about coup plots and his failing health, AP reports from Moscow. In an interview published in tha newspaper Izvestia on Saturday he condemned what he called the "rich brew of lies, meanness and greed". Even his normally reticent wife, Naina, was quoted in the press.**

**Mr Yeltsin's two-week absence from the capital provided a field day for speculation about everything from the president's bad back and his heart to his drinking habits and his liver. Aides were forced to issue frequent denials that Mr Yeltsin was at death's door.**

Has Mr Gerashchenko gooe from the worst to, if not the best, at least the good? "If he has indeed reined in tha credits as much as is claimed in the first quarter, then it is e change," said a western central banker last night. "He has personality and clout," says Mr Adrian Ball, head of the Morgan Grenfell office in Moscow. "He is doing some very useful things, like persuading commercial banks to become sensible institutions. And he has always seen the need to keep money circulating."

Even his detractors say finance ministry has been as active in printing money as Mr Gerashchenko, in order to cover government hudget deficits. They admit, too, that ths chairman has been between a rock and a hard place – that is, caught hetween fuelling inflation and causing bankruptcies and unemployment.

The case against him is and has always been that, in advancing soft credits, he has prevented industrial restructuring. Now, however, Mr Camdessus et least seems satisfied that he is running a credit policy tighter even than that which the government recommends. But senior officials from the Group of Seven industrial countries believe there are good reasons of *realpolitik* for that.

First, Mr Victor Chernomyrdin, the prime minister and Mr Gerashchenko's protector against all removal attempts, is now concerned at least to appear to run a tight policy. Three weeks ago, he berated Mr Gerashchenko in an enlarged cabinet meeting for downgrading the importance of the fight against inflation – e clear enough indication that the protection is, if not removed, conditional.

Mr Chernomyrdin no longer needs Mr Gerashchenko as be did as a counterweight against the cabinet reformers: now the prime minister must himself struggle with the imponderables of the Russian economy, and needs an ally against inflation, not a stoker of it.

Mr Gerashchenko's other great protector, the former Russian supreme soviet, has also gone. The present parliament has less clear powers over his sppointment and could in any case choose one of their number for the job.

Finally, Mr Gerashchenko has changed the bank, especially by bringing in some younger people at senior levels (he has a problem to match their pay with the relatively vast salaries of the commercial banks) and giving them their head. If he is almost certainly *not* a convert to tight money, he has one of the best senses for where power lies in Moscow; and while the man who runs the government wants to present a monetarist stance to the world, Mr Gerashchenko will oblige.

"He is a patriot in his way," says the government sdviser. "He wants the country to remain great, he wants to re-establish links with the former Soviet republics to Russia's benefit and he wants to guard against social explosion. That eppeals to Chernomyrdin because he's like that, too."

Mr Gerashchenko, with the unlikely accolade of the central bankers' central banker to add to less complimentary ones, is likely to remain part of the scene for a time yet.

# French airline sets deadline for its unions

By John Ridding in Paris

Air France's 14 trade unions have until Thursday to agree to a restructuring plan aimed at curbing losses at the French state-owned airline, the company said yesterday.

The statement followed protracted negotiations at the weekend between the unions and Mr Christian Blanc, chairman of Air France.

Mr Blanc has insisted on staff support for his recovery plan, which is a condition of a capital injection of FFr20hn (£2.3bn) from the French government. He has said he will eppeal directly to the company's 40,000 employees if any of the unions refuse to agree to the restructuring.

The communist-led CGT walked out of the negotiations, which started on Saturday morning and lasted until 5am yesterday. A spokesman for the union said it opposed elements of the plan, including an increase in working hours from 38 to 39 hours per week for ground staff and the implementation of 5,000 job cuts.

The CGT said it was seeking further negotiations and would consult its members to decide a final position before a meeting with other union groups on Thursday.

The airline's other unions declined to comment yesterday on the progress of negotiations. But Force Ouvrière, the largest union ot Air France, has previously indicated support for the rescue plan.

Union opposition and s series of violent strikes forced the withdrawal of a previous recovery plan last October and the resignation of Mr Bernard Attali, then chairman. The episode represented a serious blow to the centre-right government of Mr Edouard Balladur, which was forced into s damaging climbdown.

In sddition to voluntary job cuts, Mr Blanc's plan includes a three-year wage freeze and a reduction in the airline's fleet from 166 aircraft to 149 over the next five years. Air France says that the measures are vital to stem losses estimated at FFr7.5bn last year and to win European Union approval for the capital increase from the French state.

# Ukraine voters belie forecasts of poll apathy

By Jill Barshay in Kiev and Leyla Boulton in Yalta

More than 60 per cent of Ukraine's electorate had voted four hours before the polls closed yesterday, surpassing the required 50 per cent threshold in the natioo's first post-Soviet parliamentary elections.

Voter turnout became a key issue in the campaign, after presidential aides predicted that apathy would make it impossible to elect a workable legislature, enabling President Leonid Kravchuk to introduce direct presidential rule and cancel June presidential elections.

Most of the nation's 450 parliamentary districts are expected to go to a second round on April 10 because an outright majority is needed to win a seat.

Voters in the restive eastern regions came out in large numbers, although it was not clear if tbey would vote for parliamentary candidates or only cast their ballots in local "opinion polls" calling for closer links with Russia.

The most potentially incendiary of these local referendums was held in the Russian-dominated Crimean peninsula, which went ahead with a poll on independence, despite warnings from Kiev that the Ukrainian government considered the referendum illegal. A strong vote for independence in Crimea, which many Russians consider to be a natural part of their state, could further complicate already tense relations between Ukraine and Russia.

An official in Simferopol, the Crimean capital, was confident that the 50 per cent threshold had been exceeded in the local referendum.

Meanwhile, in Kiev, tbe elections could play a key role in determining the outcome of a mounting power struggle between the president and parliament. Over the weekend Mr Kravchuk, speaking on national television, said that if the parliament was "not full-blooded" – less than a full 450-seat house – he would ask the legislature "to give tha president new legislative powers" and cancel presidential elections "so as not to create a vacuum of power".

But, as he cast his ballot yesterday morning, Mr Ivan Pliushch, parliament's chairman, struck back. He rejected postponement of the presidential ballot and said he was confident the parliamentary elections would produce a working legislature.

Most voters seemed oblivious to battles between their leaders and used simpler criteria when choosing whom to support. "I guess I'll vote for the youngest," said Mr Andrii Voronko, a 29-year-old electrical engineer, who confessed that he was confused by his ballot paper full of unfamiliar names and birth dates. "They [the younger politicians] have the energy and aren't screwed up by the old mentality."

For a retired publisher, local politics took precedence over national debates. He decided to vote for an former Soviet bureaucrat who had helped him to get a flat years ago.

An elderly Ukrainian woman needs two pairs of glasses to tackle *the* confusing ballot paper, while President Leonid Kravchuk emerges to cast his vote in yesterday's parliamentary election

Reuter/AP

Local government elections

# Coalition's grip grows tighter

By John Ridding

Franca's governing centre-right coalition last night appeared set to strengthen its grip on local government following the second and final round of voting in regional council elections.

After a strong showing in the first round on March 20, the RPR-UDF coalition headed by Mr Edouard Balladur, the prime minister, was well placed yesterday to win control of up to eight departments, adding to the 75 of France's 95 departments it already held. The opposition Socialist party, which suffered a crushing defeat in last year's general elections, was well placed to win four more departments.

A strong performance is important for Mr Balladur, who has seen his personal popularity decline steadily since the beginning of the year and who is currently confronted by a powerful challenge from the country's student movement. Tens of thousands of students have taken over to the streets over the past few weeks to protest against a law which allows young apprentices to be paid less than the minimum wage.

A survey published yestarday by the BVA polling institute found 64 per cent of voters wanted the law repealed. But analysts said the issue might not have a big impact on the regional elections.

These elections, which represented the first significant test of the government's support since it took office in March last year, concerned the 1,372 districts in which there was no outright winner in the first round. The seats involved were last contested in 1988, when the Socialist party recorded strong gains.

The 95 *conseils généraux* are an important part of France's structure of local government. Their responsibilities include the management and development of public services, such as transport and health care, outside urban areas.

In the first round of the regional elections, the RPR-UDF coalition won 44.7 per cent of the vote, compared with 28.7 per cent for tha Socialists. The extrema right National Front won about 10 per cent of the vote, with the ecologists suffering a sharp fall in support to just over 2 per cent.

# Revolt by key party shakes Swedes

By Hugh Carnegy in Stockholm

The minority coalltion government in Sweden has been shaken by oproar lo the small right-wing party thst holds the balance of power, just as Prime Minister Carl Bildt is preparing to fight e general election in September.

Tbe New Democrscy party late last week declared it woold no longer act as "the fifth wheel" onder the fonr-party coalitioo of the right and centre led by Mr Bildt's cooservative Moderate party. This rolc has underpinned the government sioce it took office in late-1991.

The New Democrats said they would join the main oppositioo Social Democratic party and the small Left party in voting next month to abolish a controversial healthcare reform at the centre of Mr Bildt's attempt to streamline and liberalise Swedeo's welfare system. Together, the three parties could defeat the governmeot io parliament.

With less thao three months to go until parliameot is dissolved before the election, a change of government is not being discussed. A deep split io New Democracy, whose leader Mr Ian Wachtmeister annonnced his resignstion a few weeks ago, bas left in doobt the willingness of all its parliamentary members to follow the new party line.

Mr Bildt's room for manoeuvre has been narrowed, particularly over healthcare reform. A movc oow belog implemented, to let Swedisb family doctors set up private practices outside direct local anthority control, and to let Swedes choose their family doctors, could be stopped next month. The momentum of Mr Bildt's efforts to break down welfare state monopolies and introduce more competition seems likely to be halted.

# Opec's heavyweight controls the ring

## Robert Corzine on how the Saudis foiled a move to cut production

One member, one vote is the rule within the Organisation of Petroleum Exporting Countries. But if there is e difference of opinion it helps to have the world's largest oil reserves and a third of Opec's total productioo on your side.

On Saturday night Saudi Arabia proved again that the cartel can act only with Riyadh's active co-operation. Its decision not to take part in a proposed production cut to bolster weak prices put paid to e scheme being promoted by many of its Opec colleagues. And it was made in spite of dire warnings from the secretariat that such a course could trigger e further collapse in the price.

The Opec communiqué stressed the group's unanimous agreement to adhere to the extension to the end of the year of the present 24.52m barrel a day production ceiling. But the rhetoric did little to hide the dissatisfaction of some member states, all of which are struggling to cope with a fall of more than 20 per cent in oil prices over the past year.

"There was a possibility of a very substantial achievement and success which we let slip through our hands," said Mr Gholamreza Aghazadeh, Iran's oil minister. He noted that Iran, one of Opec's most populous and poorer states, had lost $3.5hn (£2.39bn) in oil revenues in the six months since the organisation's decision to set the present production ceiling.

But Tehran's suggestion of e 1.4m b/d cnt did oot even make it to the formal proposal stage.

Nigeria, another poor and populous member, did manage to present formally a complex proposal for s 6 per cent cut. But it died a quick death before a final meeting confined to the 12 oil ministers.

A similar fate was in store for an Indonesian plan to cut to 23.5m b/d the ceiling set last March, which was rarely respected because of widespread quota cheating by some Opec members.

There was no need to propose the rollover, according to Mr Subroto, Opec secretary-general, because there was no other option left. The only issue was its duration.

An Opec official said the line taken hy Mr Hisham Nazer, the Saudi oil minister, was simple: "If you think e cut is the best way forward, then go ahead." But Saudi Arabis was oot about to be easily moved off its 8m b/d quota, say analysts, and without Saudi participation there could be no reduction that would be credible to world oil markets.

Riyadh's reluctance to lower outpnt may appear counter-productive et a time when it, too, is under severe financial strain because of falling oil revennes. But Seudi Arabia has been equally reluctant to have its policy dictated by tha short-term volatility of oil markets.

It also harbours doubts ebout the effectiveness of even a large production cnt. The country has steadfastly adhered to its quota, but it fears other Opec states would take advantage of any price rise that a cut might trigger by cheating on theirs.

In addition, Saudi Arabia was the only Opec member to agree to e reduced quota et tha beginning of last year and it, along with the United Arab Emirates, did not take part in last September's round of quota increases.

The possibility that non-Opec producers such as Britain and Norway would make up for any shortfall that an Opec cut might create was another factor in Saudi thinking.

So, too, was the belief that demand will improve significantly in the second half of the year. It is a view shared by many analysts.

"There could be a sudden increase in price by the fourth quarter," according to Mr Leonidas Drollas, economist et London's Centre for Global Energy Studies. He believes that hy then, the Opec basket, the average price of seven crude oils, could rise hy aboot $2 to $15.

Analysts were also generally positive about the length of the rollover. Mr Vahan Zanoyan, an analyst with the International Petroleum Finance Company in Washington, said "refiners should be more eager to buy if they know there is no more Opec production coming in the fourth quarter", when Opec's output tends to rise to meet high winter demand.

Saudi Arabia also controls most of the excess oil production capacity in the world, so it would not be easy for other Opec or non-Opec producers to take advantage of any price rises later in the year.

The Saudis also have the financial means to cushion the short-term price falls which Opec ministers concede are likely to accompany the current strategy. It is less certain whether their less well-off colleagues can stand the pain which the next six months may hring.

# Karadzic warns of Moslem offensive

The Bosnian Serb leader, Mr Radovan Karadzic, accused Moslems yesterday of having launched e new military offensive. He warned them to stop it or risk losing territory they might have recovered by negotiations, Reuter reports from Belgrade.

Mr Karadzic told a meeting of his Serbian Damocratic party, in the Bosnian Serb stronghold of Banje Luka, a big spring offensive, which he claimed had already begun, must be broken.

"If the Moslems continue this, I will order s counter-offensive and then they will not be able to get territory they might get through political oegotiations," he was quoted by Tanjug news agency as saying. "There is no way anyway that they can get territory on whicb they are now killing our people," he sdded.

The Bosnian government-controlled radio has reported that the Moslem-led government army has recaptured some territory from the Serbs around Tesanj and Teslik in north-central Bosnia. UN officials in Sarajevo said on Saturday there was heavy fighting in the area, but could not confirm reports of Bosnian gains.

Government and Croatian forces are no longer fighting each other after agreement to form a Bosnian Moslem-Croat federation, hut the Serbs have refused to join it.

# EUROPEAN PRESS REVIEW

## FRANCE

The French press is preoccupied with upheaval – both on the streets of the nation's cities and, closer to home, in the newspaper industry itself.

The wave of student demonstrations, which has brought tens of thousands on to the streets in protest at e new law allowing young apprentices to be paid less than the minimum wage, has prompted a bout of soul-searching about the state of society and the potential for an explosion of social unrest.

"Are we experiencing a return to 1968?" asked **Le Figaro** in an editorial, posing the question of the moment.

For most of the press, the answer is No, or at least not yet. But there is high anxiety nonetheless. "Tha young are angry," proclaims the front cover of **Le Point** magazine. **Le Monde** writes of "a blocked sociaty", while **Ouest France**, one of the largest regional papers, describes e dangerous divorce between politicians and the French people.

There has also been much soul-searching over the future of the press itself. Falling readership, the impact of new publications, and changes in management and ownership have prompted newspapers to reconsider their strategies.

Last week the right-wing **Quotidien de Paris** launched a redesign which affected both presentation and editorial content. Photographs sprung on to the front page and long opinion pieces took a back seat to punchier news items. "There will be no more grandstanding or pages of debate, because I think peopla don't read them any more," said Mr Philippe Tesson, manager of the newspaper.

Most significantly, however, the newly-named **Quotidien** cut its price from FFr6 (£0.68) to FFr4 (£0.45). The move, partly in response to January's launch of **Infomatin**, the emall-format morning paper priced aggressively at FFr3, reflects the emergence of e circulation war in tha recession-hit industry.

The turmoil has extended to the loftiest titles. **Le Monde**, a bastion of the traditional French press, is also reviewing its strategy. "To be passive is to be beaten," wrote Mr Jean-Marie Colombani, the newspaper's managing editor, quoting President de Gaulle.

Mr Colombani, who took over the top editorial job earlier this month after the surprise resignation of Mr Jacques Lesourne, has spelled out a policy of change. "The idea of a more compact paper, from Monday to Friday, and e thicker weekend edition, in the Anglo-Saxon way, has been raised. But we must also take account of the pricing strategy," he said in an interview with the left-wing daily, **Libération**.

As with the student demonstrations, the common element behind the manoeuvrings in the newspaper industry can be traced to the economic environment. Estimates suggest advertising revenues for the national press have fallen by almost 30 per cent in the past two years and are set to decline by 10 per cent this year. The trend, partly the result of a reform of the media buying system under the previous Socialist government, has been compounded by falling sales resulting from depressed consumer spending.

In many cases the result has been an urgent search for new partners. Earlier this year the **Expansion** group was rescued by CEP, an investment consortium. **Infomatin**, which has seen its sales slip following a successful launch, is believed to be seeking additional backers.

Amid the turmoil, however, there is also stability – particularly in editorial opinion. **Le Figaro**, which has been closer than its rivals to the centre-right government of Mr Edouard Balladur, has been relatively supportive of the prime minister's actions in the face of the student demonstrations.

"One must always be wary of popular anger or public opinion," wrote Mr Franz-Olivier Giesbert in e front page editorial on Saturday. "It ie urgent that France accepts a certain number of reforms, in employment, social security and national education."

Not surprisingly, **Libération** sees it differently. "The only intelligent decision which could be taken today by the prime minister would be to withdraw the decree implementing the CIP," it said, referring to the apprentice contract at the centre of the student storm.

It concludes, however, that such a measure is unlikely, given its importance to Mr Balladur's credibility. Upheaval on the streets, and in tha press, is likely to continue.

*Compiled by John Ridding*

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# Zeffirelli writes himself into the Italian political scenario

**Andrew Hill** has lunch with the great director who is standing in Catania, Sicily, for Silvio Berlusconi's Forza Italia

ITALIAN ELECTIONS

On the eve of Italy's most important general election since 1948, Mr Franco Zeffirelli, film director and would-be senator of the Italian republic, took lunch on the slopes of Mount Etna with members of his entourage and three of his eight Jack Russell terriers.

For a man known for opulent and often controversial stage and cinema productions, it was a suitably lofty viewpoint from which to survey his constituency – Catania, a city of decaying splendour on the east coast of Sicily.

But this is not the image which Franco Zeffirelli the candidate has sought to promote, during an arduous campaign for Mr Silvio Berlusconi's Forza Italia. Indeed, since the media magnate asked Mr Zeffirelli to *scendere in campo* (take to the field) for his new party, the film director has done just that, leaving what he calls the "glasa prison" of abow business and talking to people in the streeta. "I think I'm a much better man for it," he said in an interview with the FT at the weekend.

Catania is a difficult constituency, not least because of the traditional apathy of the electorate in southern Italy, where the turnout is always lower than in the north. Yesterday, Palm Sunday, there was more activity in Catania's churches than in its polling stations, and Sicilian television reported a much lower turnout than in 1992 – although this time all Italians have a full two days in which to vote.

More specifically, the city suffers from a disintegrating infrastructure, and is struggling to shake off a reputation as centre for one of the most powerful Mafia "families", whose head, Mr Nitto Santapaola, was arrested last year. A constant theme of the last days of the election campaign was the question of bow the Mafia will vote, with Mr Berlusconi severely criticised hy his opponents for not clearly rejecting the support of Cosa Nostra.

Meanwhile, his business lieutenants have been forced to deny allegations by former gang members that Mafia-inspired arson attacks on his new Standa supermarkets in Catania and Palermo in 1990 and 1991 only stopped after pay-offs to the local clans.

Mr Zeffirelli has stepped into this dalicate situation as an outsider, albeit one who knows and loves Sicily. His roots are in Florence, and he was also mooted as a Forza Italia candidate for Rome or Venice. But he chosa Sicily because he wanted to dispel some of the myths about the island – in particular, its association with the Mafia in the minds of most foreigners – and reassure Sicilians that they, too, are part of the new Italy.

"It isn't the country of 'The Godfather' for god's sake: it's a country of wonderfully creative and beautiful people who want to do the best with their lives," he complains.

He says that, if elected, he would try to restrict himself to certain specific areas of policy, notably helping disabled people and drug addicts, and to resurrecting the cultural life of Italy from what he sees as 50 years of communist-inspired neglect. "I'm not a baby," says Mr Zeffirelli, who is 70. "I want to see things happen now."

Indeed, had he started in politics 20 years ago, and devoted himself to it, one could imagine Franco Zeffirelli as a campaigning minister of culture along the lines of the late Melina Mercouri in Greece, an example he himself cites. Mr Zeffirelli calls it a nstional disgrace that Italy has no culture ministry, but at the same time rules himself out as a candidate for such a post.

As it is, he is not clear how he would reconcile his parliamentary duties with forthcoming directorial commitments, which include film productions of "Jane Eyre" this summer, and a life of opera star Maria Callas, which he should start filming next winter.

What is clear is Mr Zeffirelli'a commitment to Forza Italia as a strong alternative to the former communists and socialists in the opposing Progressive Alliance. As part of his campaign, tha director has been distributing a lapel badge with a picture of Zeffirelli looking genial and relaxed. His aides call it "The Smile", but behind it is an unsynthetic anger about the way in which the left has recycled itself for this election.

"The old *nomenklatura* are absolutely awfnl: they just doo't deserve to survive," he says, in ona of his milder attacks. Mr Zeffirelli is certainly not uncomfortable about the pact between Forza Italia and the far-right National Alliance, particularly important in the south. Indeed, the director says he is "disgusted" by the description of the National Alliance as a neo-fascist party, and describes Mr Gianfranco Fini, the Alliance's politically adept leader, as "the greatest statesman we bave".

As for international criticism of Forza Italia, Mr Zeffirelli – used to criticism of the artistic kind – draws a parallel between the new Italian republic promised by Mr Berlusconi and his allies, and the first Florentine republic set up in the 14th century. "They [the Florentines] were surrounded hy emperors, popes, dukes and counts, all of whom looked at Florence with fear – and they did all they could to make it fall."

He leaves a dramatic pause and then adds, with that smile: "They finally managed to hring it down – bnt it took 200 years."

# Pay deals below German inflation

By Michael Lindemann in Bonn

Ahoot 1.4m German coostructioo workers will receive 2.4 per cent pay rises this year, following a deal agreed on Saturday. The award is the biggest so far this year, but still below forecast inflation of 3 per ceot.

The IG Ban union and the industry's two employers' federations have to approve the deal formally by April 20.

About 500,000 workers with specialist qualifications will receive an extra 3 pfennigs an bour, giving them a total rise of 2.5 per cent.

Negotiations in Frankfurt looked likely to fail because of union demands that pay for 375,000 construction workers io eastern Germany abould match levels io the west. Under the agreement, eastern pay will reacb 90 per cent of western levels from September 1.

The bulk of pay settlements is now out of the way following earlier deals, all below inflation, for engineeriog, chemical, pohlic sector and bank workers. A pay agreement for about 400,000 print workers is still outstandiog.

Bank report sees only 1.6% growth across Union

# Germany forecast to hamper EU recovery

By Daniel Green

German economic "stagnation" will bold back recovery across Europe, according to a report published today by Barclays Bank of the UK.

Bonn's problems in the financing of eastern Germany, and a continuing fall in industrial competitiveness, mean that real gross national product growtb io the European Union this year will reach only 1.6 per cant, compared with an estimated fall of 0.3 per cent in 1993, the bank believes.

German recovery will be "late, partly because the Bundesbank has adopted a cautious approach to reducing interest rates," says its report.

By 1995, GNP growth in the EU will be 2.5 per cent "but this is no more than a return to trend".

The importance of Germany to the health of Europe's economy is, if anything, increasing. "In the past it has beeo difficult for Europe to stage a robust upswing without Germany," writes the report's author, Mr Nigel Newman, Barclays' senior European ecooomist.

"During the past 10 years Germany and the rest of Europe have become more closely integrated. Faced with a [slow recovery] in Germany, the prospects for the rest of Europe do not look particularly promising."

The result will be a "modest and probably erratic period of recovery" this year.

The state of the Germao economy Is compounded by bigb interest rates, low confidence, falling employment and "restrictive" tax policies which will continue to hurt demand from European consumers.

Rises in long-term interest rates seen this month could also hinder recovery unless reversed.

The prospects for France, where a "sluggish recovery" is under way, are seen as slightly better than for Germany. But the French trade balance could deteriorata as a result of falling industrial competitiveness as the franc remains tied to the D-Mark in tbe European monatary system.

Italy's improving competitiveness and exports should mean a significant recovery this year. "Export growth is leading the upswing, although an end to destocking will also provide support," says the report.

Rising exports should also assist Spain, with higher consumer spending helping.

The forecasts for the UK are optimistic, saying that consumer spending will continue to grow in spite of higher taxes next month. Across the EU, the outlook for interest and inflation rates is viewed hy the hank as more promising than for growth.

Inflation will stay just below 1993'a 3.4 per cent for the next three years, saya the report, while interest rates are forecast to slip from 7.9 per cent in 1993 to 5.2 per cent in 1994 and 4.5 per ceot for the subsequent two years.

The scheduled widening of EU membership next January 1 – with the possible arrival as full memhers of Sweden, Austria, Norway and Finland – will increase the size of the EU by 7 per ceot in terms of gross domestic product.

This "sbould give intra-EU trade a ooe-off boost in 1994 and 1995," says the report.

NEWS IN BRIEF

## 'Pollution' bank set for Texas

A new bank created with up to $3bn (£2bn) in funds to help clean up pollution along the US-Mexican border as part of the North American Free Trade Agreement will be located in San Antonio, Texas, the San Antonio Express-News said at the weekend, Reuter reports.

The North American Development Bank, modelled after the London-based European Bank for Reconstruction and Development aimed at helping eastern European nstions, will begin operations oo October 1, Mr Nelson Wolff, the city's mayor, told a news conference. He said President Bill Clinton had chosen San Antonio and city officials had been notified of his decision by Mr Lloyd Bentsen, Treasury secretary, and state Governor Ann Richards.

## Italian insurance group for sale

The Italian government plans to carry out its next big privatisation at the eod of June, with the public offer of shares in the Ina life assurance group, Mr Lorenzo Pallesi, the chairman, said yesterday, *writes John Simkins in Milan*. He said it was intended to announce the share price on June 25 ahead of the public offer oo June 27.

At least 51 per cent of equity in the group, which has L6,000bn (£2.4bn) of annual premiums and 5,700 employees, will be sold and shares will be quoted in Milan, London, New York and possibly Tokyo. Unlike in recent sell-offs of state-controlled banks, none of Ina is so far floated.

## China to act over patents

China, embarrassed hy US charges of soaring copyright piracy by private and even state companies, said at the weekend that it would host a forum on protection of intellectual property rights, Reuter reports from Beijing. The symposium in May would bring together more than 200 Chinese and foreign experts to discuss strategies for patent, copyright and trademark protection, Xinhua oews agency said.

Vice-President Rong Yiren said last week that much needed to be done to improve intellectual property protection in China, whose laws on tbe issue are less than three years old.

## Nuclear power plant fires up

Full-power trial operations have begun in the second reactor at China's Daya Bay nuclear power station near Hong Kong, according to Xinhua news agency, Reuter reports from Beijing. China plans to become within the decade a leading exporter of civilian nuclear technology and an important producer of nuclear power.

## Australian challenger wins seat

Ms Bronwyn Bishop, the former New South Wales senator who is considered a potential challenger for the opposition Liberal party leadership, won the Mackellar by-election comfortably at the weekend, writes Niki Tait in Sydney. The victory allows her to move from the senate to the house of representatives, an essential precondition to mounting any leadership bid.

The hy-election, in a safe Liberal seat, was not contested by the governing Labor party. Nevertheless, several independents and representatives of minor parties stood against Ms Bishop, and the result was a swing of just over 5 per cent against the Liberal party.

## Protesting Kurds leave Mannheim

Up to 10,000 Kurdish demonstrators began pulling out of Mannheim yesterday after German police offered to release detained Kurds if protesters dispersed, Reuter reports.

Police said between 7,000 and 10,000 Kurds had ignored a ban and got past police road blocks to rally in the southwestern city at a wake for two Kurdish women who set themselves ablaze in protest at German arms sales to Turkey. They waved banners charging Bonn with complicity in "Turkey's war of genocide in Kurdistan", shouted anti-Turkish slogans and punched the air with victory signs.

Police used scores of water cannon to try to disperse the protesters.

Securities firms will not need Chinese brokers

# Foreigners to join Shanghai exchange

By John Gapper in Shanghai

The Shanghai Securities Exchange is planning to let foreign securities firms become members, under a reform that would eliminate the need for them to trade through Chinese brokers.

The reform, planned for this year, would mark a further step in the liberalisation of China's financial markets, and boost the effort by Shanghai to grow into one of the world's leading financial centres.

Foreign investment banks have been rushing to set up offices in the city, to take advantage of the boom in joint ventures by overseas companies and Chinese enterprises as well as the flow of new equity listings.

Twenty-one foreign securities houses have seats on the exchange and can trade so-called B shares in Chinese companies to foreign investors, but they are not allowed to be members of the exchange.

This means that they must pay about 20 per cent of their share trading commissions to seven local brokerages which act as partners. Investors buying B shares pay about 0.7 per cent of the value of trades in commissions.

However, officials of the Shanghai exchange are planning to create a new category of "special" membership that would allow foreign firms to operate freely, although without voting rights.

The creation of such membership would mean foreign securities firms no longer having to pay a share of commissions to local brokers.

Ms Li Qian, a director of the exchange's international department, said that some local brokers were unhappy about the plan, but the exchange believed it was a necessary step in the market's liberalisation. "The local brokers do not agree, but we have to take the long-term view for the development of the exchange," she said.

Barings, the British merchant bank, opened an office in Shanghai last week and other UK securities houses are following their lead. US banks have been increasing their strength in the city.

Foreign brokers have been pressing for the unification of the B shares with the A shares that only Chinese investors can buy.

Foreign companies have also expressed interest in secondary listings on the Shanghai exchange.

The exchange has grown rapidly in the past two years, reaching a total market capitalisation of $40bn last year. The exchange estimates that about 5m people now hold share accounts at the Shanghai exchange.

# Recession hits groups in Europe

By Paul Abrahams in Tokyo

Japanese companies manufacturing in Europe were badly hit by the recession last year and their poor performance has led to a sharp fall in their investment plans.

More than half the 728 Japanese manufacturing groups in Europe say they lost money last year and the operating results of 47 per cent of them deteriorated, according to a survey conducted by the Japan External Trade Organisation.

The study showed that 83 per cent of companies had been hurt by the recession in Europe. More than a third had dismissed employees, scaled back their manufacturing plans or abandoned intended investments. Only 45 per cent of them intend to increase their investment, compared with 68 per cent in 1992.

The UK remained the most popular location for new Japanese manufacturing investment, with nine companies setting up operations there, making a total of 206. Italy enjoyed the next largest increase, up seven to 52 companies. An additional two groups located in France, the second most popular country with 121 Japanese groups.

However, Germany registered a fall, down two at 106, the first decline there since the survey began in 1983. The Netherlands also lost one company, leaving 45 groups there.

The survey showed most Japanese companies believed they were benefiting from the single European market. Only 4 per cent viewed integration as negative. More than 62 per cent said customs procedures had been simplified, while 52 per cent reported their markets had grown, and 46 per cent had profited from lower distribution costs. However, 40 per cent said integration favoured European companies more than Japanese groups.

More than 70 per cent of the companies polled said they obtained more than half of their parts or raw materials locally. This was partly because of the strength of the yen, and partly a fall in the prices of locally produced materials. About 57 per cent of Japanese companies had appointed a European as a director or in a higher post.

**JAPANESE MANUFACTURERS BY COUNTRY***

| | 1985 | 1986 | 1987 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|---|---|---|---|---|---|---|---|---|---|
| UK | 32 | 53 | 68 | 91 | 129 | 175 | 189 | 197 | 206 |
| France | 30 | 33 | 33 | 81 | 89 | 106 | 115 | 119 | 121 |
| Germany | 35 | 46 | 54 | 65 | 67 | 99 | 106 | 108 | 106 |
| Netherlands | 16 | 20 | 19 | 27 | 33 | 36 | 44 | 46 | 45 |
| Belgium | 15 | 18 | 19 | 23 | 25 | 32 | 38 | 38 | 40 |
| Luxembourg | 0 | 0 | 0 | 0 | 2 | 2 | 3 | 3 | 3 |
| Ireland | 11 | 10 | 12 | 19 | 22 | 26 | 30 | 30 | 31 |
| Spain | 22 | 29 | 33 | 41 | 54 | 64 | 63 | 63 | 64 |
| Italy | 8 | 11 | 15 | 24 | 28 | 36 | 45 | 45 | 52 |
| Finland | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 5 | 5 |
| Norway | 2 | 2 | 2 | 1 | 0 | 0 | 1 | 1 | 1 |
| Sweden | 1 | 1 | 3 | 6 | 6 | 6 | 9 | 9 | 10 |
| Denmark | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Austria | 2 | 5 | 5 | 7 | 12 | 14 | 15 | 17 | 17 |
| Portugal | 7 | 8 | 8 | 7 | 13 | 13 | 13 | 12 | 12 |
| Switzerland | 0 | 1 | 1 | 4 | 5 | 7 | 7 | 9 | 8 |
| Greece | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| Iceland | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Total | 189 | 243 | 283 | 404 | 516 | 620 | 689 | 709 | 728 |

*Excluding independent R&D facilities. Source: Japan External Trade Organisation

# Coca-Cola faces Tokyo penalty tax

By Emiko Terazono in Tokyo

The Japanese tax authorities have charged Coca-Cola Japan, a subsidiary of the world's largest soft drinks company, with a penalty tax bill of Y15bn (£96m) for improper income transfers.

The country's National Tax Administration Agency has ruled that Y36bn in brand and marketing royalty payments, which Coca-Cola transferred to its US parent during the three years to March 1992, were too high. It has demanded an extra tax payment.

Coca-Cola said the decision would not affect its earning prospects, dua to likely tax redemptions in the US, but it made clear it would reject the demand. Mr Roi Suzuki, president of Coca-Cola Japan, said the royalties were based on the immeasurable value of Coce-Cola's trademark and were fair and reasonable.

The Japanese decision comes amid rising anxiety over the US government's moves to tighten its tax grip on foreign multinationals operating in the US.

Tax authorities there have claimed that multinationals often abuse international transfer price rules which state that goods and services sold from one group company to another should be priced as though sold to any outside company.

By setting higher or lower transfer prices, multinational companies, including Japanese vehicle and electronics makers, are accused of shifting their US profits abroad to avoid US taxation.

In 1992 the US Internal Revenue Service ruled that Kawasaki Heavy Industries had been avoiding US taxes and charged itY1.2bn. Last year Nissan Motor paid Y17bn in penalty taxes.

# S Korea leader treads carefully in China

**Tony Walker** reports on Kim Young-sam's plea for Beijing pressure on Pyongyang

South Korean President Kim Young-sam will today become the second regional leader in a week to urge China to exert pressure on North Korea to open its nuclear sites to international inspection.

But Mr Kim, who arrived in Beijing yesterday, is likely to advocate a more patient approach than did Japan's prime minister, who last week told Chinese leaders of Tokyo's "grave concern" at Korean developments and warned of UN Security Council action.

Even so, South Korea's president will seek to impress on Chinese officials the gravity of the situation after decisions by Pyongyang and Seoul to put their armies on high alert. The US is also taking steps to bolster its military presence in the region.

Mr Kim is due to meet Chinese President Jiang Zemin today and Premier Li Peng tomorrow to discuss North Korea. This will be the South Korean leader's first visit to Beijing as president.

Kim Young-sam is greeted yesterday by wellwishers at Beijing airport — Associated Press

Mr Han Sung-joo, South Korea's foreign minister, said yesterday, before leaving Seoul for Beijing, that the Security Council should allow more time for North Korea to live up to its obligations under the Nuclear Non-Proliferation Treaty.

He said a statement from the Security Council president would be desirable rather than a formal resolution urging Pyongyang to open its sites to International Atomic Energy Agency (IAEA) inspection: "It could be better that a statement be issued to induce the North Koreans to come forward for a dialogue. If North Korea continues not to allow nuclear inspections, even after the statement is issued, then China cannot but go along with UN resolutions."

South Korea's approach matches that of Beijing. China, as one of the five permanent members of the Security Council, is anxious to avoid, at this stage, a vote on a formal resolution about its ally, North Korea.

The US has been circulating a draft resolution warning of further unspecified action if North Korea fails to adhere to its NPT obligations. It recommends that Pyongyang be given a month in which to co-operate with the IAEA. The US is reported to have said that it might go along with the approach advocated by China providing it was clear that economic sanctions will be considered if North Korea fails to comply.

China has made no secret of its concern that it might face unpalatable diplomatic choices over the Korean issue. Chinese officials have ruled out support at this stage for economic sanctions and have criticised a decision by the US and South Korea to resume joint military exercises. Mr Wu Jianmin, foreign ministry spokesman, said last week China was "not in favour of any action detrimental to stability [on the Korean peninsula] such as military exercises".

He also made clear at a news briefing that China believed it would be dangerous to push North Korea into a corner. Chinese officials have been suggesting that the US consider moves towards diplomatic relations with Pyongyang as a way to defuse the crisis.

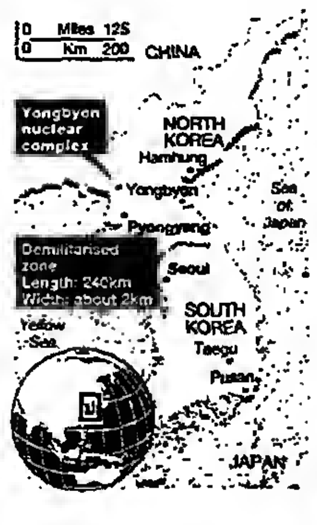
China wants to try to forestall punitive economic sanctions under which it might be obliged to cut off petroleum and food supplies to North Korea. That would be almost certain to cause a deep rupture in relations.

The South Korean foreign minister will fly to Washington from Beijing this week for talks with Mr Warren Christopher, US secretary of state, and Mr William Perry, US defence secretary.

Mr Perry said at the weekend that he had ordered the US air force to add to its stockpiles of munitions and spare parts in South Korea. He was also deploying new Apache attack helicopters – used devastatingly against Iraqi tanks in the Gulf war. The secretary told reporters in Washington that his department planned "to take every step we can so that our tactical air could be applied in a day or two or three, rather than a week or two or three".

The US, which has 36,000 troops based in South Korea, has been enhancing that country's defences, including the deployment of Patriot missiles against any Scud missile attacks.

North Korea, which has some 1m men and women under arms, has stepped up military drills and issued bellicose threats. It has also intensified propaganda broadcasts calling for the overthrow of the Seoul government.




Mr Han Sung-joo, the South Korean foreign minister, said at the weekend that his country would support the UN Security Council's issuing a statement on the North Korea nuclear problem rather than taking the tougher action of adopting a resolution on the matter, writes John Burton from Seoul.

He explained that this strategy would persuade China to support a resolution criticising North Korea if it still continued to block international nuclear inspections after the statement was issued. "I believe that it's advisable to start with the council president's statement so that a resolution can be adopted unanimously," he said.

● South Korean President Kim Young-sam will mix business with diplomacy during his visit to China, hoping to win new orders for Korean companies. Economic issues that will be discussed include the Chinese purchase of Korean telephone exchanges and a proposed Sino-Korea project to develop and market mid-sized commercial airliners.

# Goldstar electronics deals

The South Korean electronics company Goldstar has signed two contracts involving $159.5m (£109.2m) to produce television parts, video-cassette recorders and video cameras in China, an official report said, AP-DJ reports from Beijing.

Goldstar said the contracts signed on Friday represented the biggest overseas investment by a South Korean electronics company.

It is negotiating to set up joint-venture projects to manufacture audio equipment and air conditioners.

Goldstar entered a $19.5m co-operation deal with Shanghai Tape Recording Equipment Factory to produce VCRs and video cameras. The other contract was for a $140m venture with Shuguan Electron Group.

# Seoul calm while world media panic

By John Burton in Seoul

"I don't worry about a war breaking out," said Ms Choi Kwang-hun as she peered from the observation deck of Seoul Tower at the city that North Korea recently said it would turn into "a sea of fire".

Ms Choi, a housewife in her mid-forties, and most of the city's other 10m residents appear calm in spite of the threats of war traded between North and South Korea over the past week.

Although the subject of war has become a dominant topic of conversation, it has had little affect on life in the sprawling environs of Seoul, only 35 miles from the North Korean border. There are few, if any, outward signs of preparations for an emergency.

Indeed, it is the rest of the world that seems more concerned over a possible military attack from the North. Panic selling of Korean stocks by foreign investors helped cause the bourse's general index to fall by 2.3 per cent last week.

Hotels are reporting cancellations by overseas tourists, casting a pall over what has been proclaimed as "Visit Korea Year".

"The general feeling among many Koreans is that the crisis is the result of international media hysteria," said one US-educated Korean businessman.

The relaxed attitude displayed by South Koreans reflects that the country has lived with a threat from the North for 40 years, with tensions rising and falling regularly.

Koreans have also developed a fatalistic attitude after a century of invasions and political upheaval.

But there are clear generation differences in reactions. Middle-aged Koreans, who grew up with the Korean War of 1950-53 and remember UN troops saving their destitute country, believe that international support will resolve the dispute this time. "I believe the US and the UN will prevent a war from happening," said Ms Choi.

But younger Koreans, whose national self-confidence has grown with the country's rapid economic progress, blame the US for aggravating tensions by deploying US Patriot missiles.

They are also more sceptical about the seriousness of the threat that the North poses. "The former military governments used to use the North Korean threat as a justification for keeping the people under authoritarian control," said one student. "Conservative hardliners may be using this to assert their power once again by giving maximum publicity to war-like statements from the north."

There is also a sharp divide in reactions among Seoul's foreign expatriates. "The old-timers are taking this in stride, while the newcomers are ready to pack their bags and leave," said Mr Alan Plumb, the long-time head of the Rolls-Royce office in Seoul.

When a London broker recently rang in the middle of the night to ask about rumours that war was about to break out, "I couldn't get back to sleep," confesses Ms Anne Lowell, an analyst for Baring Securities in Seoul.

Discussions among foreigners have focused on evacuation plans if the North Koreans invade.

Those who live on the trendy south side of the Han River, which divides the city as the Thames does London, count themselves lucky since it would be easier to flee.

Those living north of the river worry about the destruction of river's 19 bridges that would leave them trapped.

The evacuation procedures drawn up by the US military to get foreigners out of the city did not inspire confidence. Foreign citizens would have to gather at the big US military base at Yongsan in central Seoul, considered a prime target for North Korean Scud missiles and artillery.

They would then leave the city by bus, a formidable feat at the best of times given Seoul's notorious traffic jams. "Personally, I'm relying on a good pair of trainers instead," said one US official.



# HK plan to increase disclosure

By Louise Lucas in Hong Kong

The Hong Kong stock exchange has taken a further step towards adoption of international standards with the release of a consultative paper proposing full disclosure of directors' salaries and calling for an end to the practice of "hidden" reserves.

If passed, the changes to the listing rules would open up directors' renumeration to full scrutiny. Companies would be obliged to list directors' fees, basic salaries plus bonuses, housing allowance and benefits in kind, pension scheme contributions and golden hellos and goodbyes.

The stock exchange is also getting tough on banks, insurance and shipping companies which are currently allowed to maintain "hidden" reserves.

# Poor nations seek closer co-operation with G7

Fifteen poor nations with large markets plan to seek better economic deals from industrialised nations at a three-day summit that begins today in New Delhi, reports AP.

Police went on alert yesterday as heads of state of eight countries of the Group of 15 began arriving. The other countries are represented by government ministers or senior officials.

About 7,000 policemen ringed many buildings in the city where the meetings will be held.

Member countries from Asia, Africa, Latin America and the Caribbean will seek closer co-operation with the Group of Seven of the world's largest industrialised nations: the US, Canada, Italy, France, Germany, Japan and Britain.

"We collectively represent a GDP of $1,400bn. Our total trade turnover is $404bn," Indian foreign minister Dinesh Singh told the meeting that was drafting a communiqué to be adopted at the end of the summit.

The developing countries hope to have greater bargaining power with rich nations by pooling their natural and human resources.

Apart from the host, India, presidents or prime ministers of Nigeria, Senegal, Zimbabwe, Argentina, Indonesia and Malaysia are taking part in the conference. Mexico, Chile, Peru, Venezuela, Algeria, Egypt, Brazil and Jamaica are sending representatives.

Critics of the G-15 say that, during the five years since it was created, the organisation has lost much of its significance as many of the members prefer to line up with regional trading blocs. The preference for such arrangements is underscored by poor attendance at the meetings.

Others, however, maintain that the group is still relevant.

"The industrialised countries will make poor nations do what they want. The only way out is for the less powerful countries to get together," said A.P. Venkateswaran, a former external affairs secretary for India.

The conference is unlikely to force richer countries to relax import quotas on merchandise such as textiles or to retain their subsidies on food exports to poor countries under the new General Agreement on Tariffs and Trade.

Many poor nations say that, under GATT rules, they will have to pay royalties for products that used not to entail patents under intellectual property rights.

# Burma loosens bank rein

Burma will allow locally owned private banks to operate with foreign exchange from next month, officials said at the weekend, Reuter reports from Bangkok.

The move is to encourage investment, in line with Burmese attempts to open the national economy.

Local private banks, under a new regulation issued by the central bank, would be able to operate foreign exchange from Friday, they said. "The regulation is to implement the policy of economic [openness] for the country."

The officials said private banks had been allowed to operate in Burma for the past two years. Locally owned private banks were now allowed to deal only with local currency.

# California faces economic aftershock

## George Graham assesses Barclays' tax suit as it reaches the US Supreme Court today

Barclays Bank will have its chance today to argue in the US Supreme Court its 17-year-old case against California's unitary tax system.

The British banking group, backed by an array of European governments and multinational corporations, complains that the unitary method of assessment, by which California calculates tax on a proportion of a group's worldwide income, unfairly taxes profits earned outside the state, and even outside the US.

The nine justices of the court are to hear arguments on the Barclays case, with a similar case brought by Colgate-Palmolive, the household products group, which challenges the application of unitary taxation to US-owned groups.

For California, which tiptoes along the brink of bankruptcy year after year, the stakes are high. If it were to lose the Barclays case, it would have to refund to the bank and other foreign groups about $400m (£267m) it has already collected, and cancel another $400m it has assessed but not yet collected. If, on top of that, it were to lose to Colgate, it would have to refund another $1.3bn and cancel $2bn more in assessments.

Mr Brad Sherman, chairman of the state Board of Equalisation, an elected tax commission, says losing the $4.1bn at stake would be "an economic aftershock rivalling the damage done by the southern California earthquakes".

For foreign companies the issue is less financial, since California last year passed legislation that wipes out most of their objections to unitary taxation, also known as worldwide combination. The new law allows tax-payers to elect instead to be taxed under a "water's edge" assessment that excludes all income earned outside the US.

Even so, many companies and foreign governments fear that losing the case could encourage California and other states to move back to unitary taxation, which they see as threatening tha whole structure of international tax law.

"There are many UK, German and Japanese companies which have made the water's edge election, even though it costs them more, because of their emotional opposition to the concept of worldwide combination," said Mr Michael Lippman, partner for state and local tax issues at KPMG Peat Marwick, the accounting group.

International tax treaties are built on the principle of arm's length taxation – a company's income on transactions with its parent and subsidiaries is assessed as though it were trading at arm's length with an independent company.

**Many companies and foreign governments fear that losing the case could encourage the state to move back to unitary taxation, which they see as threatening the whole structure of international tax law**

Many US states, and some members of Congress, complain that this is impossible to calculate and allows multinationals to manipulate the transfer prices on transactions within the group so as to reduce their tax.

Senator Byron Dorgan last week persuaded the Senate to pass a non-binding resolution in favour of unitary taxation, which uses a simple formula to calculate how much tax is owed in each state or country.

"Our current system is a huge bureaucracy that can't keep up with sophisticated multinationals that juggle income and avoid paying billions that should go to the US Treasury," he said.

The Supreme Court ruled in 1983, in the Container Corporation case, that California's unitary system was legal when applied to US companies, but it expressly set aside the question of whether that could be applied to foreign businesses.

The essence of the Barclays case is that unitary taxation, because it conflicts with the arm's length principle preferred in international tax treaties, interferes with the federal government's right to speak for the US with a single voice on international commerce and is therefore unconstitutional.

California responds that Congress has made its will very clear by refusing many opportunities to pass a law to ban unitary taxation by the states.

Colgate's case is that to exempt foreign but not domestic companies from unitary taxation would be unfair. To win, it would have to persuade the Supreme Court to overturn, at least in part, its earlier Container decision.

Justice Antonin Scalia, the Supreme Court's conservative ideologue, is expected to lead support for California, in line with his usual position that, in the absence of explicit congressional action, the court should not interfere with the states. He is likely to receive the backing of Chief Justice William Rehnquist and Justice Clarence Thomas.

On the other sida. Justice Harry Blackmun was the lone dissenting voice last year in a case lost by Itel Corp against a Tennessee state tax. Judge Blackmun argued strongly against interpreting congressional silence as assent.

The loneliest person in the court may be Mr Drew Days, US solicitor-general, who has the unenviable task of sustaining a brief that, in fulfilment of a campaign promise by President Bill Clinton, supports California, while not wholly repudiating the Justice Department's earlier brisfs filed in support of Barclays.

Washington lawyers expect the justices to question Mr Days harshly over this intellectual juggling act.

# Factions struggle over candidacy in Mexico

By Damian Fraser in Mexico City

The race to succeed Mr Luis Donaldo Colosio as the presidential candidate of Mexico's ruling party reached fever pitch at the weekend, even as tbe party songht to quash rumours that the nomination was imminent.

Members of the Institutional Revolutionary party's (PRI) old guard seemed set on a desperate and probably futile effort to block tha candidacy of the favourite, Mr Ernesto Zedillo, the campaign manager of Mr Colosio, who was assassinated on Wednesday.

Mr Zedillo, a former budget minister with an economics doctorate from Yale University in the US, represents the modarn, pro-reform wing of tha party.

Mr Fernando Ortiz Arana, party president, tried to quell speculation, saying no one in the party was authorised to comment on possibla candidates: "The PRI, like all of Mexico, is in mourning. This is a time of reflection for all of us. In due time we will initiate internal processes to select our new candidate."

Mr Ramiro de la Rosa, head of Democracy 2000, a faction in the PRI, urged President Carlos Salinas to let the party choose its candidate without presidential interference. Mr de la Rosa's group backed Mr Ortiz Arana, presumed favourite of the party rank and file, as candidate.

Salinas: Still kingmaker

A government official said it had still not decided how the candidate would be chosen. But the expectation is that Mr Salinas will select the candidate, after consultation with party officials and ministers.

As Mr Colosio's campaign manager, Mr Zedillo is likely to be projected as the legitimate beir of the slain candidate.

The PRI still maintains that the candidate could be chosen as late as next week. However, if speculation increases it may have to be more quickly.

Meanwhile, Mr Porfirio Muñoz Ledo, president of the main leftist opposition party, has demanded an independent investigation into the murder of Mr Colosio. He believes Mr Mario Aburto, who bas confessed to killing Mr Colosio, may have been paid by organised groups in the country.

Mr Aburto initially told investigators that he had links with such organised groups, but refused to name them. He also said that he would not talk unless tortured, indicating that he might have been part of a wider organisation, or wanted investigators to believe he was.

A government official said: "At this point there is no indication Mr Aburto was working for anyone else".

Police say they found a drawing in Mr Aburto's home depicting his soul entering the body of Mr Colosio, and another of the two floating up to heaven. In the view of the police, this suggested mental instability.

# Iberia's deal with Argentina blocked

By John Barham in Buenos Aires

An Argentine federal judge has ordered the government not to proceed with an agreement, signed 10 days ago with Iberia, Spain's national airline, to settle their dispute over Aerolineas Argentinas, the flag carrier.

Judge Oscar Garzón Funes accepted an appeal from the leftist Frente Grande opposition party that the settlement was against the national interest because it handed the airline to a foreign government.

Mr Javier Salas, Iberia's president, and Mr Domingo Cavallo, Argentine economy minister, had agreed to let Iberia raise its stake in Aerolineas to 85 from 30 per cent after pumping the equivalent of $500m (£334m) in fresh capital into the company.

The government said it would appeal against the judge's decision. It might demanding a ruling by the Supreme Court, where most of the judges were appointed by the privatising President Carlos Menem.

The deal also called for the abolition of the Argentine air force's profitable ground-handling monopoly at tha country's airports. This has led to strong objections by the Defence Ministry.

Iberia says it could save $20m a year by servicing its aircraft. The handling charge for a Boeing 747 in Buenos Aires is $4,000, compared with $1,400 in Santiago, Chile.

Iberia and the government have been bickering over loss-making Aerolineas since it was privatised in November 1990. The government had to take back part of the airline in 1992 to prevent its collapse. It rejected Iberia's demand last year that it contribute to the capital injection.

# Venezuelan rebel released from jail

By Joseph Mann in Caracas

The Venezuelan army officer who led an unsuccessful military uprising against the government in early 1992 and became a popular political hero was released from jail at the weekend after President Rafael Caldera had ordered a halt to all court martial proceedings against him.

On his release, Lt-Col Hugo Chávez Frlas, who has resigned from the army, told hundreds of supporters he would work with his own organisation "to gain political power" and "to show political schemers how a nation should achieve its true destiny". He also warned it would be "risky" to talk about another coup d'état in Venezuela.

Tbe rebel leader's release forms part of a political "pacification" by the president, who took office in February. He has ordered charges dropped against officers facing courts martial over the 1992 military uprisings, which left some 300 dead. This month Mr Caldera ordered the release of Rear-Adm Hernán Gruber Odremán, who headed the November 27 rebellion.

Fewer then 20 officers are still behind bars because of the conp attempts, and another group of officers is in exile in Peru. Some of these are expected to return to Venezuela seeking the benefits of the pacification programme. Lt-Col Chávez headed a rebellion against the government of President Carlos Andrés Pérez, who aurvived two coup attempts in 1992 but was forced to leave office early, in 1993, to face corruption charges.

# US plans new move on Haiti

The US is planning to shift its policy on Haiti so as to put more pressure on the military leaders who took over the Caribbean country two and a half years ago, according to a report in the New York Times, George Graham writes from Washington.

The report said Vice-President Al Gore bad briefed Father Jean-Bertrand Aristide, the ousted Haitian president, on a new plan calling for three steps on the same day: the military leaders would step down, the Haitian parliament would confirm a new prime minister named by Fr Aristide, and an amnesty for the coup leaders would be enacted.

The US administration's policy on Haiti has come in for stern criticism in the last few weeks from Democratic members of the US Congress, there baving been a particularly fierce attack last week from the black caucus in Congress.

# Gaviria to head the OAS

The Organisation of American States yesterday elected Mr César Gaviria, the president of Colombia, to be its new secretary-general, George Graham reports from Washington.

Mr Gaviria's election, by 20 votes to 14, capped a sometimes hostile campaign in which smaller OAS members, in the Caribbean and Central America, complained that their interests were being trampled by the heavyweight countries of South America, as well as by the US.

The smaller states had backed Mr Bernd Niehaus, foreign minister of Costa Rica, to succeed Mr João Baena Soares of Brazil, the outgoing secretary-general.

Each country has one vote but the alliance of the small appears to have broken up in the face of Mr Gaviria's candidacy.

Mr Gaviria is due to step down as president of Colombia in August.

# Key pact on Bedford truck parts

By John Griffiths

Marshall, the UK vehicles and aerospace group, has struck e landmark deal wltb General Motors noder whlch it has acqnired world marketing rights to the Bedford commercial vebicle name and pnrcbased the entlre Bedford truck and bus parts business.

The deal is expected to lead to a substantial increase in the group's truck production this year, from 400 to around 600.

However, the parts business acquisition is regarded as at least as important by executives of Marshall SPV (Special Prodnction Vehicles), the umbrella company for Marshall's vehicle operations, because of tbe exceptionally large nnmber of Bedford vehicles on roads all around the word.

"On a conservative estimate there are at least 500,000 ont there", Mr Dick Revell, Marshall SPV's parts director, said at the weekend.

Bedford, which has a history going back 60 years, was once tbe world's largest truckmaker. Its military vehicles have seen service with armed forces in dozens of countries and are still deployed by many, inclnding the UK.

GM first sold the Bedford truckmaking business for £22m in 1987, when it was losing £500,000 e week, to entrepreneur Mr David Brown. He renemed it AWD. However, that business went into receivership and Marshall snbsequently bonght from the receivers AWD's prodnct designs, order book, rights to the AWD name and limited rights to the Bedford name.

Marshall executives believe that a major reason that AWD went under was that its own deal with GM did not include the consistently profitable parts business. Most truck makers earn the majority of their revenne from replacement parts business rather than new vehicle sales.

One measnre of the size of the parts business is that Marshall has already shipped 170 articulated truckloads of parts to warehousing in Kent from the former Bedford truckmaking facilities at Dnnstable, Bedfordshire.

# PM's office says EU deal not yet sealed

By David Owen

The office of prime minister Mr John Major moved last night to counter suggestions that Britain had capitulated in the row over voting rights in the enlarged European Union by cautioning against the assumption that the UK government would automatically accept the proposed deal.

Signalling the start of a concerted two-day push to swing the main body of the Conservative party behind tbe proposed compromise, Downing Street said that no decision would be taken until after a full meeting of cabinet tomorrow.

This would examine in detail whether or not the proposals met the concerns of the prime minister. According to one senior official: "There is still a fair bit of work to be done before we can assume there is an agreement."

With Tory business managers due to meet this morning, a crucial consideration will be bow the proposals are received not by the Euro-sceptic hard core - who would oppose virtually any compromise - but by the broad mass of Tory rank-and-file MPs.

The support of all but the hard core is essential for Mr Major who is anxious not to exacerbate the rift in the party over Europe in the run-up to local government and European elections which could have an important bearing on his future as leader.

Mr Douglas Hurd, foreign secretary, said he had "agreed to nothing" while emphasising the other countries had made a "serious move" in Britain's direction. He said: "Wa have to decide how our interests and those of the minority can be protected."

Noting that some countries were worried that the paper proposed by the Greek presidency went too far in Britain's direction, Mr Hurd said ministers would have to consider "very soberly whether it goes far enough, whether there are comments we want to make."

Leading Euro-sceptics yesterday joined Labour in criticising the government's handling of the negotiations.

Mr Bill Cash, the MP for Stafford and a leading Euro-sceptic, said he was "deeply disturbed by the trend. Once the votes are arranged so that 27 is the blocking minority, and not 23, it will be virtually impossible to unravel it."

The finest collection of early printed books to be sold at auction for more than 50 years will be offered at Sotheby's in London on July 1. There are almost 400 volumes including one illustrated with this hand-colonred woodblock, and they seem certain to fetch more than £3m. The books come from the court library of Prince Joachim zu Fürstenberg. Rarities include an almanac of 1462 believed to be the first example of printing from Vlenna and a first edition of the "Speculum bumanae salvationis" with the text in Latin and in German.

# Row over issue of European works council

By David Goodhart, Labour Editor

The Institute of Directors has sharply criticised its rival employers body, the Confederation of British Industry, for accepting the principle of a transnational European works council for consulting with employees.

Tbe issue of works councils, which has been a subject of debate in Europe for 20 years, comes to a head tomorrow when negotiations on the subject between Unice, the European employers body, and the European Trades Union Congress are set down.

Such a breakdown will make it almost certain that the European Commission will pass a directive on the issue early next year. Although Britain's Maastricht Treaty social "opt-out" means UK companies will not be effected within the UK, 70 or 80 British multinationals will be effected in continental Europe and are unlikely to exclude their UK employees.

But the IoD is still furious with the CBI, which is the largest single member of Unice, for conceding in negotiations with the ETUC that "minimum requirements" can be enforced in the event of companies and their employees failing to reach an agreement.

Enropean employers have hitherto accepted the goal of consultation wlth their employees, and providing information for them, but have insisted that there should be flexibility.

However, Mr Peter Morgan, director-general of the IoD, believes that the wording of the latest Unice-ETUC agreement amounts to an "own goal" in accepting a works council-type forum.

"We urge the CBI and other national employer organisations in the member states of the EU to rethink their position on Unice's negotiations with the ETUC and to oppose proposals which would require companles to set np union dominated works councils", said Mr Morgan.

The IOD believes that even if the ETUC rejects the Unice position - because of disagreements about the level within the company at which the works council should operate - European companies will now find it more difficult to argue against the idea.

Some British employers also fear that the Commission will try to circumvent the opt-out and thus directly implicate up to 300 British companies in the works council directive. Mr Michael Forsyth, the employment minister, last week told the House of Commons European Standing Committee that any such move would be "strongly resisted".

However Mr Forsyth also told the committee that be welcomed the Delors white paper on growth, competitiveness and employment, published last December, as "marking the beginnings of a real change in the Community's agenda". He said that the report "recognised that labour costs are simply too high end that they damage growth in jobs" and that Europe's labour markets were not working efficiently.

# Britain in brief

## Courtaulds to approve £80m plant

The board of Courtaulds, the chemicals and textiles group, is expected to approve in the new few days spending of about £80m on a European plant to prodnce Tencel, its new synthetic fabric.

The plant is to be located either at Grimsby on Humberside or near Munich in Germany.

The approvel is expected almost to coincide with a long-delayed agreement by Courtaulds and Hoechst, the German chemicals company, to merge their European viscose and acrylic fibres operations under Courtaulds' control.

Courtaulds said yesterday that it hoped that the merger, first announced in May last year but delayed by competition-authority scrutiny, would be signed before the end of this week.

Courtaulds wants the plant running in 1996 to cater for what it says will be surging world demand for the material, said to combine the toughness of denim with the feel of silk.

Because the production processes for Tencel, which is mede from wood pnlp, are highly entomated, employment et such a fecility is likely to be measnred in dozens rather than hundreds.

## TRW to set up parts plant

TRW, the US motor, space and defence multinational, is to set up its fourth motor components plant near Nissan's Sunderland car factory, creating 160 jobs.

TRW is investing £8m in the plant at Houghton-le-Spring, Wearside, north-east England. It will produce electronic trigger mechanisms for safety air bags, one of the fastest-growing sectors of the motor components industry.

The air-bag mechanism will be exported throughont Europe. The new facility is the latest in a series of motor component manufacturing investments in the north, and lifts to about 30 the number of such companies located close to the Nissan plant.

Nissan, which employs about 5,000 people at the Sunderland site, says it has generated about 3,000 jobs at component suppliers based either on its car factory site or in the north-east.

## Farmers keep wages board

The government looks likely to preserve the Agricultural Wages Board, which lays down minimum wage rates for 180,000 farmworkers, after strong pressure to do so from the farming community.

An announcement confirming the board's future is expected this week from Mrs Gillian Shepherd, the minister of agriculture. Last year the government ecrapped the Wages Councils that laid down minimum levels of pay for an estimated 4.5m workers in low wage sectors such as hotels and catering but ministers accept that farmworkers continue to need wage protection.

The Agricultural Wages Board awarded a 4.9 per cent wage rise to the low paid farmworkers lest week, nearly twice the current level of pay rises in the economy despite opposition from the National Farmers Union. But many farmers prefer tho existing wages syatem becanse it ensures stabllity in the industry.

## Water surveys 'unreliable'

Water companics havo been warned not to rely on surveys of the public's willingness to pay for higher water quality.

Surveys of whother households would pay for enhanced quality can be highly unreliable, says Mr George Gaskell, leading academic at the London School of Economics.

His criticism comes just days before the water companies of England and Wales submit their "strategic business plans" to Ofwat. The proposed investment programmes in the plans, which cover the next 20 years, have been based partly on detailed customer surveys conducted last summer, of the kind which Mr Gaskell criticises.

The LSE head of social pyschology argues that "until consumers are more informed, it is probably inappropriate to use responses in opinion surveys as the basis for the development of services."

## Sunday worker wins key case

A worker who refused to work on a Sunday because it prevented him from golng to church has won his case for unfair dismissal from en industrial tribunal in e unanimous verdict.

This is the first time an industrial tribunal has ruled in an unfair dismissal case based on the grounds of the applicant's religious beliefs.

Mr Andrew Dntton, e systems engineer with Hughes Rediffusion Simulation et Crawley for five years, said: "I am just an ordinary guy who did not want to be forced to work Sundays. I tried hard to reach a compromise with the company and failed."

## Road projects to be trimmed

The outcome of the long-awaited review of Britain's £23bn roads programme, due to be announced on Wednesday, is expected to show a trimming of roadbuilding schemes but not wholesale cuts.

Most motorway-widening schemes are set to stay largely intact in spite of fierce protests from Tory backbench MPs and lobbyists.

The overall reduction in planned roadbuilding activity may be no more than 10 per cent or 15 per cent.

This is unlikely to ease pressure on the department from MPs of all parties and from other government departments.

## Andersen offers merger

Arthur Andersen, the UK's fourth largest accountancy firm, is poised to merge with Binder Hamlyn, the eighth largest, in one of the largest consolidations in the profession for several years.

Heads of Binder's 11 regional partnerships around tha country are due to meet today to discuss the proposals, which Andersen formally made two weeks ago and laid ont at a meeting last week.

Precise details are still to be worked ont.

# Auditors to BCCI face $11bn claims

By Andrew Jack

The auditors to the collapsed Bank of Credit and Commerce International face claims from the liquidators of up to $11bn, according to legal documents npdating the original action.

Price Weterhouse and Ernst & Whinney, which is now part of Ernst & Young, are alleged to have failed to detect or report financial irregularities at the bank stretching back as far as 1977 and 1979 respectively.

The details appear in the statement of claim lodged in the high court which accompanies writs issued by BCCI's liquidators at Touche Ross against the auditors in the course of the last two years. The statement has not been made public. It was previously estimated the claims would be worth abont $8bn. The damages claimed increase still further one of the largest ever recorded legal actions.

The statement of claim says that the financial position of BCCI was materially misstated in 1985, 1986 and 1987. It does not quantify any differences before this time because claims will not be allowed back beyond 1985.

Had the problems been brought to light, the statement claims that "imprudent conduct" at BCCI would have ended, weaknesses been corrected, management restructured and new capital would not have needed to be injected.

The statement of claim alleges that Price Waterhouse and Ernst & Whinney had expressed concerns about deficiencies or weaknesses in parts of the bank for up to 14 years before BCCI was closed by regulators in July 1991.

It says the firms were in breach of their duties to the shareholders of BCCI companies for failure to take account of the warning signs, conduct all the tests that they should have carried out, or failure to report weaknesses in internal controls and systems.

Both firms of auditors deny the allegations and are vigorously contesting the writs.

# MANAGEMENT

## S Africa's black managers

Political change in South Africa has accelerated the need to develop more black managers in public and private sectors alike. But blacks are still poorly represented – particularly at senior levels in organisations – and the challenge is formidable.

One attempt to redress the balance is today's conference in Oxford run by the Southern African Advanced Education Project, an independent charity which provides advance training and work experience to help South Africans build leadership and management skills. The event brings together about 160 black South African graduates and representatives of big employers including Total South Africa, South African Breweries, South African Post-Office, Unilever, Standard Bank and the power company Eskom.

The idea is part recruitment drive, part seminar. According to Patrick Wintour of SAAEP, roughly half of those who attended the last two conferences either directly or indirectly landed their first job as a result. "The sense of urgency among employers to recruit good black graduates is now much greater," says Wintour, though he adds that SAAEP has been "less than successful" in tapping the interest of UK companies with South African subsidiaries.

Wintour saya affirmative action remains a hot issue in the private sector, but believes the focus of debate may shift as the new government attempts to change the complexion of the public sector without unduly increasing its size.

He identifies three main lessons learnt so far. First, companies should give black recruits real jobs: "Tokenism has been exposed for the fraud that it is". Second, employers should be prepared to take risks "even if they are not 100 per cent sure that someone is right for the next move". Third ,they should "tell other employees what they are doing and why they are doing it, so that everyone does not get confused".

*SAAEP, tel: 0865 200686.*

**Tim Dickson**

Psychometric testing of job candidates is objective: True or False? **Lucy Kellaway** investigates

## Tests on trial

All great paintings require an act of creativity. All paintings are painted by artists. Therefore all artists are creative. True or false?".

An uncontroversial question, you might think. Yet a psychometric test containing 80 similar questions was last week criticised on the grounds of racial bias. Used by the General Council of the Bar of England and Wales to help select students for the barristers' finals course, the test is being blamed for a success rate of nearly 50 per cent for white candidates compared to less than 20 per cent for black and ethnic minority candidates.

"Nothing terrible has happened," says Robert Wood of Pearn Kandola Occupational Psychologists who helped design the selection system. He says the test was properly applied, and points out that the number of successful black candidates was higher than in previous years. Nevertheless, the Council of Legal Education feels obliged to mount an investigation. "Clearly there have been disparities in the selection rates. We need to look at what may have caused them," says John Taylor, secretary of the CLE.

The allegation of bias in psychometric testing is a serious one. Some 80 per cent of British companies use psychometric tests, and the number is rising. Employers use them to test for abilities as well as for personality traits. They use them to decide who to hire, who to promote, and even who to fire.

An estimated 100,000 tests are used in the UK each year for selection alone. Some come from reputable firms which design the tests with great care. Others are supplied by "bucket shops", or even come free with general packages of computer software.

Employers like psychometric tests because they appear to be more objective than other ways of assessing people. Interviews often prove to be of little use in picking the right person, and are wide open to discrimination. But while there is evidence that aptitude tests at least can be good predictors of success in the job, they can be dangerous in the wrong hands.

"Psychometric testing is not a neutral tool, and must be used carefully," says Chris Myant from the Commission for Racial Equality. Ha argues that nearly all tests are culturally loaded: different racial groups have had different educations, make different assumptions and may think differently, affecting their performance accordingly.

In the US psychometric tests fell out of fashion a decade ago on the racial discrimination issue. They are now making a come-back, but only in cases where they have been proved to be both relevant and equally valid for different ethnic groups.


In Britain the CRE recommends that all tests should have been tried out on a racially mixed group to identify bias, and that the standard of skills set in the test should be appropriate to the job in question.

When eight Asian guards wanting to become British Rail drivers recently failed a verbal reasoning test, the CRE complained. It said verbal reasoning was not necessary for train drivers, and that the test was therefore discriminatory. BR subsequently changed the test, and some of the guards who initially failed are now drivers.

However, even when obvious cultural references have been stripped out and the level of test is appropriate for the job in hand, tests can still favour one race or sex above another. Charles Johnson, an occupational psychologist at Psychometric Research & Development who advised the Bar Council, argues that bias can creep in subtly. For instance, there is some evidence that ethnic minorities and women are less prepared to guess the right answer, which penalises them in tests where no marks are taken off for wrong replies. Moreover, people who have been brought up on a heavy diet of exams will be better at controlling the speed at which they are working, and therefore tend to score higher.

In spite of these problems Johnson argues that the tests can still be useful if not too much reliance is placed on any one test and the pass mark is not set too high.

One problem is the variable quality of suppliers. Saville & Holdsworth, one of the largest in Britain, researches each test on different ethnic groups before selling it. If it finds that certain groups score differently it makes sure that all users are aware of the discrepancy.

Moreover, reliable firms do not sell tests to anyone who has not been trained in how to use them. "Some instruments are knocked up over a wet weekend in someone's front room and then given some energetic marketing," warns Donald McLeod a psychologist at Ashridge Management College.

Part of the danger in psychometric tests lies in their very promise of objectivity. "People think if it's scientific, it must be fair," says Angela Baron a policy adviser at the Institute of Personnel Management. "Unless you understand how they work and what yon are measuring they are open to discrimination."

The IPM recently published lengthy guidelines for companies using psychometric tests, starting with the golden rule that the tests would only be a part of a selection process, and indicating the importance of training and the need for careful monitoring.

While ability tests are controversial, personality tests are even more contentious. The latter variety of psychomatric test has recently become the most popular of all. The tests ask a series of questions, ranging from "Do you prefer baths to showers?" to "Do you consider yourself to be outgoing?", in order to assess up to 30 different personality traits. Companies feel they are getting more precise information than can be obtained otherwise, in a form that allows them to compare candidates objectively.

Baron argues that employers should take care when using this sort of information in recruitment, although it could be useful in career counselling. "You need to ask if personality is relevant to the job anyway. Often it isn't," she says.

Personality tests can be distorted by the mood of the candidate on the day, or by fake answers. More alarmingly, there is little conclusive evidence that personality test results are related to performance in the job.

Academics such as Johnson, who believe in carefully monitored aptitude testing, draw the line at personality tests. "The idea thet you can get paper and pencil tests to measure something intangible – I don't believe it," he says.

At least one thing can be said for them: as there are no right or wrong answers, the question of rscial bias is not so serious. Yet thet is not much consolation if they are not worth a row of beans anyway.

## Remedies for absenteeism

**Richard Donkin** on ways to cut one of UK business's biggest blights

From the middle of this week the full burden of sick pay will fall on most big UK employers for the first time. The government claims that the reduction in National Insurance contributions will compensate for the overall cost – estimated at £700m – but within in this there will be winners and losers.

Kenneth Clarke, the Chancellor of the Exchequer, said when be announced the changes that his intention was to encourage employers to work harder at controlling absenteeism. According to the Confederation of British Industry there remains plenty of scope for improvement.

A CBI report carried out with Percom, a UK consultancy, last year suggested that absenteeism was one of the biggest blights on UK business, costing employers £13bn a year.

Absence rates on average are running at about 4 to 5 per cent, according to most estimates, but managers are beginning to recognise that lower levels can be achieved. Some argue that often it is simply a matter of caring about people who work for you.

Nissan Motor Manufacturing (UK), the Sunderland-based car manufacturer, records absence figures of around 1.5 per cent to two per cent, less than five days an employee per year, in an industry that has been notorious for absenteeism.

Peter Wickens, Nissan's personnel director says the plant's current absence levels are 1.8 per cent. He says: "I always regard absence as having very little to do with sickness and a hell of a lot to do with lack of motivation." Nissan pays everyone from day one of sickness.

"I think that people who are paid when off sick are less likely to be sick," says Wickens, who argues that a system where people are not paid when they are off encourages employees to believe that no one loses when they are away.

The company's sick pay agreement includes a penalty. If people abuse the system they are liable to be disqualified from sickness benefit or face disciplinary action. Workers are expected to telephone when they are sick and are asked about their sickness when they return.

Andrew Sargent, managing director of Sargent Minton, employee relations consultants, says five days absence a year is sufficient to take care of most minor illnesses such as flu epidemics. "The big problem is that grey area between those who are genuinely sick and people who are genuinely malingering. There are always people who will take companies for a ride," he says.

Leadswingers (skivers), he says, have become more accomplished at spreading their absences across the year. The answer is to treat absenteeism as a management problem. "This will mean better record keeping, better communication and more attentive and enthusiastic acceptance that ultimately only management can provide the cure," he says.

Both the CBI and an earlier Industrial Society survey suggest that full-time manual workers lose on average twice as many daya as full-time non-mannal workers. The CBI calculated that eight days a year per employee were being lost in manufacturing, but this was topped by local government and National Health Service employees with 10 and 11 days lost respectively.

The approach of Lewisham Borough Council is typical of the way the public sector is beginning to tackle the problem.

Andreas Ghosh, the council's assistant chief personnel officer, says absence levels were 17 days a year for each employee when the authority embarked on an initiative to bring absence levels down two years ago. Today, absenteeism has fallen by 5.8 days a year, equivalent to £1.5m of services.

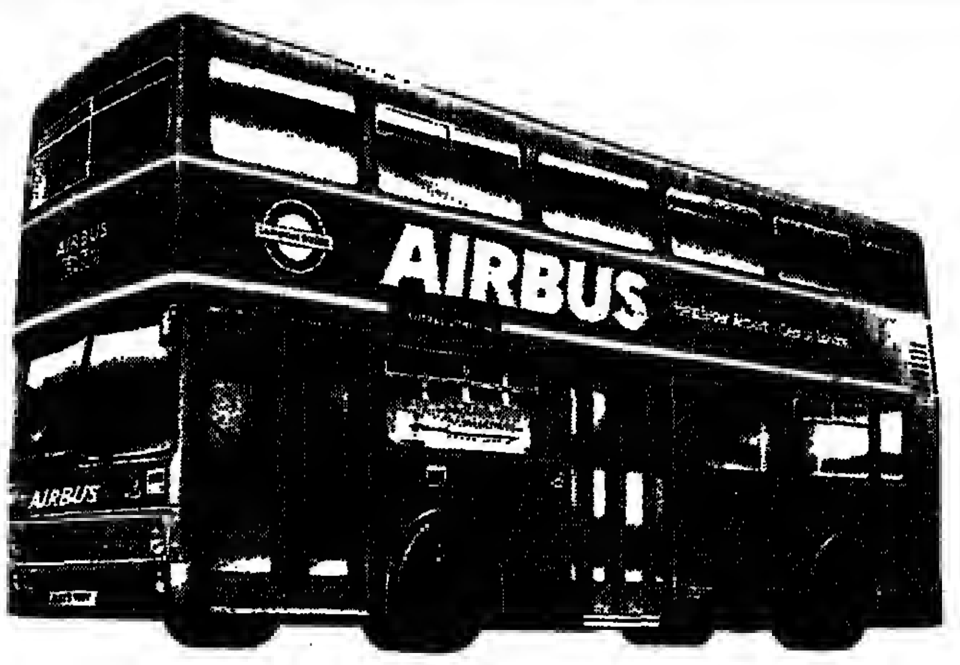
Managers were trained to monitor absence using computer programmes which trigger on-screen messages when individuals reach certain absence rates.

While effective monitoring can can reduce absenteeism to two per cent a year, according to some estimates, tackling absence in a piecemeal way is unlikely to get the aort of results achieved by Nissan. That, argues Wickens, results from the overall management approach to production, teamworking and motivation.

# BUSINESS TRAVEL

## False start at the stop

**Daniel Green** has reservations about the Heathrow bus service




Catching tha bus into central London from Heathrow airport might seem like a good idea. A taxi costs at least £30, while, by the Underground, the journey takes up to an hour – or more if you need to change at stations where platforms are sevaral minutes' walk apart, such as Green Park.

Moreover, the only view from the Tube is either of London's western suburbs or the inside of a tunnel. And stations still have too many staircases for travellers with heavy cases.

The Airbus, on the other hand, which is run by London Buses, offers a choice of routes going directly past the capital'a main hotels. It does not stop in the suburbs, so travelling times compare favourably with the Tube's. Perhaps best of all, there are splendid views from the upper deck of what is essentially a converted London bus. The ticket costs £5 single, £8 return.

This sounds ideal for the business executive on a budget. But when I tried it last month, on returning from a trip to Paris, I found that this was not the case.

The pick-up points at Heathrow are fairly easy to find, especially at Terminal Four. Each of the two services – one to Victoria bus station, the other to Russell Square – is scheduled to leave every 20 minutes or half hour, depending on the time of day, so it is worth checking the timetable to avoid a long wait.

On the day I was travelling, however, the timetable proved irrelevant. A businessman, two Japanese women and I waited at the Terminal Four stop until 10 minutes after the scheduled departure time. I approached a man with "Airbus" emblazoned on his jacket. He replied: "I don't know, mate. I started here two days ago."

Further pressure eventually persuaded him into a booth with darkened windows and, apparently, a telephone inside. He emerged with the comment: "The bus'll be here in about 10 minutes." It was not.

After a struggle to get him back into the box, he said: "It'll be here at 25 to the hour." This was the next timetabled slot. That time passed, however, and still nothing happened.

One hour aftar we had arrived at the bus stop, the four of us decided to take the Underground.

London Buses insists that the Airbus service has had a reliable 14 years in service and gets "very few complaints". It concedes that it should find a way to inform waiting passengers of delays.

Until it does so, business passengers, especially those with appointments, should not take the Airbus. And if you are travelling from central London to the airport and need to make your check-in time, consider buying a good newspaper and travelling by Tube.

## Flights over the Atlantic from London


American Airlines is expanding its transatlantic services from London. From May 27, it will operate daily non-stop flights from Gatwick to Nashville, Tennessee, and to Raleigh/Durham in North Carolina, as well as daily non-stop services from Heathrow to Philadelphia.

From tomorrow, American will also operate six flights a day from Heathrow to New York's Kennedy airport, with a no-smoking flight operating from May 2.

## Dublin to NY

The first scheduled non-stop air service between Dublin and New York began operating yesterday, following the lifting of a 40-year-old rule that all transatlantic flights had to land at Shannon airport in County Clare.

The Irish government authorised the move when Aer Lingus, the state-backed national airline, indicated the change was an essential part of its survival plan.

## Fare cuts

Virgin Atlantic is this week expected to announce plans to cut its fares in response to price cuts by British Airways at the end of last week. Under BA'a World Offers scheme, savings of more than £300 can be made on trips to the Far East or Mexico, £200 to the Caribbean and £100 to the US, South Africa and Europe. Trips to Europe or North America must include a Saturday night, and those elsewhere must be for at least a week.

## Rail crashes

Rail traffic along one of Poland's main international railway routes was badly disrupted yesterday after a rail crash, which killed three people when a train smashed into their car in eastern Poland.

Meanwhile, 75 people were injured, 11 critically, when two trains travelling between Kafr el-Sheikh and Biyala collided head-on in the Nile Delta region yesterday.

## Dry Caracas

Caracas, capital of Venezuela, has begun rationing water because of unusually low reservoirs. Water may be turned off for up to four days a week in some parts.

## Algerian unrest

France has urged its nationals to return home from Algeria, unless their presence in the north African country is vital. The move follows the murders of two Frenchmen in an Algiers suburb last week.

The foreign ministry said in a statement that the stabbing to death of the two men on Tuesday night, blamed by the official news agency APS on Moslem fundamentalists fighting to overthrow the army-backed government, was "an act of barbarity".

Likely weather in the leading business centres

| | Mon | Tue | Wed | Thur | Fri |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Hong Kong | 25 | 17 | 16 | 17 | 17 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Frankfurt | 15 | 18 | 19 | 20 | 20 |
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| L. Angeles | 28 | 27 | 25 | 23 | 22 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Paris | 15 | 18 | 18 | 17 | 18 |
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Maximum temperatures in Celsius. Information supplied by Meteo Consult of the Netherlands

The way European companies use travel agents is changing, writes **Michael Skapinker**

## How five Bs drive a harder bargain

Mr Richard Lovell, head of Wagonlit Travel in northern Europe, remembers the conversations he used to have with potential clients six years ago. "They'd say: 'You're a pretty good agency, you've got a good reputation, another percentage point off your quote will get yon the business,'" he recalls.

Today, Mr Lovell says, business travel agencies bidding for new contracts are routinely asked to submit proposals more than 100 pages long.

Mr Bill Kirkwood, travel management sales and marketing director at Thomas Cook, says his company recently concluded a contract with the Swiss Bank Corporation. The negotiations lasted three montha. Five years ago, he says, they would have taken 10 days.

Travel agents say European companies are radically changing the way they manage business travel. Mr Lovell says the revolution began in the UK – for two reasons.

The first was that the recession and the drive for cost-cutting struck Britain before it affected the rest of Europe. The second was that trends from tha US, where hard-nosed travel purchasing is well-established, usually take root in the UK more quickly than elsewhere in Europe. Tha same trends are now appearing in other European countries too.

The first thing travel agents noticed was that they were negotiating with different people. They used to deal with a company'a travel manager. Increasingly, they found themselves being interviewed by the head of procurement: the person buying airline tickets and hotel rooms tended to be the same manager who purchased the company's electricity and cars, says Mr Lovell.

Mr Kirkwood says that, in some companies, the finance director or the head of human resources began to negotiate travel contracts. Travel managers have not disappeared from all companies, he says. Where they survive, however, they usually work more closely with senior directors.

Mr Lovell says a new feature of the UK market is the appearance of travel consultants, who help companies negotiate their contracts. Frequently, the consultants are travel managers who have been made redundant. Still a rare breed in the UK, travel consultants are common in the US, he says.

The information companies require from travel agents has changed too. In their 100-page documents, travel agents are expected to describe the structure of their own company – who owns it and what its financial strengths are. Companies want to know where travel egents have their branches and whether these are conveniently located for the client'a own offices and factories.

**Instead of specifying an airline or hotel, companies may give staff a certain sum for each trip**

Travel agents are asked to provide some sample quotes on airlines and hotels. They are asked to say who their other clients are. Mr Kirkwood says companies prefer travel agents to have clients of a similar size and status to themselves, so that they can establish performance and expenditure benchmarks.

Travel agents are required to provide references from other clients. They are also asked to provide details about their own staff, often from the chief executive downwards. Mr Lovell says companies sometimes ask if travel agents can help staff with their leisure travel.

How does this compare with a few years ago? "A few years ago, you'd exchange a few letters," Mr Lovell says.

Mr Kirkwood says thet while companies demand constant reductions in the cost of their business travel, they have begun to realise they cannot continually ask agents to pass on a growing part of their commissions to customers. Instead, increasingly they offer agents a proportion of the savings they make.

He says: "The typical commission on a £100 airline ticket is £9. Instead of asking for more of that commission, they're saying: 'Reduce the £91.'"

Mr Kirkwood says travel agents have to develop strategies to ensure they can communicate with all relevant staff on the client's premises and not just those at the top.

Thomas Cook calls the most important employees "the five Bs": the buyer of travel, who makes the principal decisions; the booker, who makes travel arrangements; the business traveller; the budget-holder, who controls the traveller's expenditure; and the back-office staff, who make the payments.

He says he expects corporate travel policy to evolve further in the next few years. Airline deregulation means there are far too many special deals on offer for companies to keep track of them all. Hotels will go the same way, Mr Kirkwood believes: instead of having just an official rate and a corporate discount, hotels are increasingly quoting a range of prices aimed at ensuring they make the best use of their rooms.

Instead of companies specifying which class staff must fly and which carrier and type of hotel they should uae, he believes they will tell employees they can spend a certain sum on each trip. It will then be up to the staff to sort out the most convenient route and hotel with the company's travel agent.

THE MONDAY *People page*

# No short cuts for committed minimalist

## Fame has come late for fashion designer **Jil Sander**, explains **Alice Rawsthorn**

Most fashion designers hit the beadlines when they are bright young things turning out *avant garde* designs at the start of their careers; but there are exceptions for whom fame and acclaim comes later in life.

Jil Sander, now 50, has for two decades been creating contemporary classic clothes in a subtle, understated style. Her crisply-cut trouser suits and tunics have won her a fanatical following among the nattier brand of businesswomen and Hollywood sirens such as Winona Ryder and Sharon Stone. Her commercial success has already made her one of the wealthiest women in her native Germany. But it is only recently, as consumer taste has swung away from the opulence of the 1980s, that Jil Sander's minimalism has been billed *the* look of the moment.

"It feels like my time has come," she says. "I felt out of step with fashion in the 1980s. I hated the madame look – all those little suits with shiny buttons. It was boring and bourgeois. It made women look like little girls. I like clothes that make them look cool and classy – that bring out their strength. Women don't have to dress like bimbos to be sexy."

Sander, with her tousled blonde bob and laughing blue eyes, is typical of the strong, self-confident women for whom she designs. She exudes energy as she strides into the room in a navy blue trouser suit and immaculate white T-shirt. Her face is free from make-up. Her only ornament is an extremely expensive, but workmanlike, watch.

She was born Heidemarie Jiline Sander in wartime Wesselburen, a small town on the North Sea coast to which her mother had fled from the Hamburg bombs while ber father was fighting on the Russian front. Her childhood was happy and comfortable, but there was nothing in it that might have been expected to spur her on to her current success.

"There were no career women in my family, so I didn't have any role models in that sense. But my mother was very creative and she always encouraged me to express myself. The German women of her generation were very strong. Life was tough in the years after the second world war. Many women played dual roles by looking after their families and earning a living. That made a big impression on their children, like me, and even on their grandchildren."

Sander studied textile engineering and then spent a year as an exchange student in Los Angeles. "It was a wonderful time for me. California seemed so sunny and free after Germany which, in the early 1960s, was still stifling and narrow-minded." But sbe cut short her stay in the US wben her father died and returned home to help her mother and younger brother.

She worked as a stylist on a fashion magazine and started to design clothes in ber spare time. In 1968 sbe opened a boutique in the plusb Pöseldorf area of Hamburg and in 1974 launcbed her first full collection. Germany then, as now, had a buge commercial clothing industry. But it was a creative backwater. Karl Lagerfeld, the only other notable German designer of her generation, fled to France where he is now artistic director of Chanel. Sander stayed in Hamburg to go it alone.

"It wasn't easy establishing myself as a designer in Germany," she says now. "The struggle of rebuilding the country after the war and the guilt about the terrible things that had happened created a very materialistic culture. The *nouveaux riches* were very powerful and the creative part of our heritage tended to be forgotten. Things are changing now after reunification, but in those days it was difficult."

Also she began her business at a time when it was relatively rare for women to do so. "It may sound surprising but I've never experienced any problems because of my sex. I founded the company and I run it myself. That's the way it's always been. I've never had a boss. Things might have been different if I had. I think some men do find it difficult to deal with women in positions of authority. That's wby so many women set up on their own. They opt out of the boardroom battles."

Timothy Greenfield-Sanders

The business grew gradually in tbe early years but its expansion has accelerated since going public in 1989. Sander is now tbe chairman and majority shareholder of a company with annual turnover of $210m that sells everything from £900 suits to £30 bottles of scent.

Yet sbe still sees herself as a designer rather than a businesswoman. "Even as a child I always knew I wanted to be creative, but the business side came as a surprise. I do it because I have to. It still amazes me that I have a flair for it. Tbe key is delegation. I've made sure that I have very good people."

She still oversees every aspect of the design of her collections and even tries on each garment to cbeck the cut and construction. "I need to know whether anything is wrong. The only way to be sure is to try it myself." What sort of mistakes does she find? "Everything." Her face wrinkles. "Maybe the sleeves are too short or a button is in the wrong place. I've got to be sure."

She usually works for 14 hours a day. "I've always been pre-occupied by my career. There's never been enough time for me to play a conventional domestic role, even if I'd wanted to." But she does enjoy the fruits of her success – she has a 19th century town house in Hamburg, a country estate in Schleswig-Holstein and the latest acquisition, an 18th century town bouse in Paris.

At first she favoured the same minimalist style for ber bomes as for her clothes. "It was very chic," she laughs. "So chic that no one could relax." These days she scours the auction rooms for antique furniture, although her taste in art is still uncompromisingly contemporary. "I'm a modernist. I'm interested in art that reflects my own era. Besides, I've been buying work by Joseph Beuys, Jannis Kounellis and Cy Twombly since the early days wben it was cheap. It certainly (giggle) isn't now."

Her latest passion is gardening. She has created a formal English garden in the grounds of her Schleswig-Holstein estate and spends her spare time there pruning trees and clipping bedges. "I love the idea of planning a garden and imagining bow it will look in 10 or 20 years. It's a wonderful contrast to fashion. Clothes come and go from season to season. It's all cbange, change, change. A garden is something that lasts."

*Personae*

# Smooth transition at Tenneco

When Dana Mead, Tenneco's new president and CEO, was recruited in 1991 to be second-in-command to Mike Walsh, Tenneco's chief, he jumped at the chance to work with an old friend on the challenge of restructuring a diversified industrial company, writes Laurie Marsh.

Barely a year later, Walsh announced he was fighting inoperable brain cancer and Mead quickly shouldered many of the CEO's responsibilities. Last month, 51-year-old Walsh took indefinite medical leave and Mead formally took over as Tenneco's head. Walsh remains Tenneco's chairman.

The transition was so smooth it caused barely a ripple on Wall Street, where the silver-haired 58-year-old Mead is both well-known and respected. A West Point graduate and former US Army colonel who served in West Germany and Vietnam, Mead is widely expected to continue with the company's restructuring.

In 1993 Tenneco had sales of $13.3bn and net income of $426m or $2.44 per share. Mead is already credited with a remarkable turnaround at Tenneco's largest division, the Wisconsin-based J.I. Case.

When he arrived in 1991, Case, which manufactures heavy farm and construction machinery, logged $1bn in losses on $4bn in sales. Last year, only a year into a three-year restructuring plan directed by Mead, Case had operating profits of $82m.

Before coming to Tenneco, Mead spent 14 years at International Paper, directing modernisation and expansion there. Like Walsh, Mead held an internship at the White House, and is well-connected in Washington. He holds a doctorate in political science and economics from the Massachusetts Institute of Technology.

## New challenge for Vance the peacemaker at Macy's

Cyrus Vance, the unflappable US diplomat who tried and failed to bring peace to Bosnia, has taken on his fair share of thankless tasks since serving as US secretary of state under Jimmy Carter, writes Frank McGurty. His latest leap of faith – as court-appointed mediator in the negotiations to bring the Macy's department store chain out of bankruptcy – is likely to test his patience to the limit.

Vance (right), who celebrated his 77th birthday yesterday, is charged with hammering out a reorganisation plan that will satisfy a panoply of competing creditors, owed a total of $6bn by the once-proud New York retailing group.

After dragging on for more than two years, the process took on a sense of urgency three months ago when Federated Department Stores, a long-time rival and owner of New York's Bloomingdales, bought a big chunk of Macy's debt to use as leverage in forcing a merger between the two groups.

Last week the battle entered a critical phase, with Macy's management submitting to Vance its blueprint for keeping the group independent. The plan, which is really just a starting point for negotiations, appears to have placated a disgruntled group of junk bondholders, but it managed to upset secured creditors who had supported an earlier version of the plan. The escalation of tensions raises the likelihood of Federated succeeding in its ambitions.

Vance, who works for the law firm of Simpson, Thacher and Bartlett, is scheduled to meet Macy's creditors, including Federated, on April 11. If he hopes to broker a deal among them, Vance will be sure to need all the diplomatic skills he refined on his last international mission.

## Ghali moves on at BankAmerica

There was a time during the international banking boom of the 1970s when Bank of America seemed to use London as a testbed for its future leaders. Al Rice, the first banker to head the the bank's London-based Europe, Middle East and Africa (EMEA) division went on to be a vice-chairman and his successor, Sam Armacost, became chief executive.

However, the upheavals at Bank of America and the changes in international banking have had a knock-on effect on the importance of London in the bank's affairs. More recently, Bank of America's top man in Europe has tended to move on to other things outside the group when his term expired, rather than return to San Francisco.

Paul Verburgt, a Dutchman who took over from Mont McMillen, left in 1986, and his successor, William Young, subsequently retired from the bank and went off to Cambridge to read modern history. Now Riad Ghali, a 48-year-old Egyptian, is leaving next month in order to "have time for his personal and business pursuits in Europe".

Ghali, who has been doing the job for three years, is handing over to Rob Morrow, 44, who has been responsible for managing the EMEA group's wholesale banking relationships, commercial banking and financial institutions activities since August 1993.

Like Ghali, Morrow is one of several top executives with the same Wells Fargo pedigree as Richard Rosenberg, chairman of BankAmerica, and chief financial officer Lewis Coleman, tipped as Rosenberg's heir apparent.

Coleman spent ten years with Wells Fargo before joining Merrill Lynch in 1982 as executive director of its private resources operation in San Francisco. In 1990 he joined Bank of America as managing director of mergers and acquisitions in its capital markets division. He became executive vice president and manager of its US division corporate banking group a year later.

# History means business

## Britain is losing a real sense of its past, says Colin Amery

Is the United Kingdom slipping quietly into the role of the historical theme park of Europe? When we first joined the European Union there were many sceptics whn predicted that Britain'a future was clearly marked out as a museum of industry. How far have the sceptics been proved right and how far has the British appetite for history been allnwed to sap our energy for the future?

Last week this page recorded the opening of the latest display at the Tower of London – the new Jewel House for the glittering baubles of our Imperial past – which are now shown in a way that combines theatre, the movies and a modicum of history. It is, of course, all in the cause of tourism – millions of visitors have, by the sheer weight of their numbers, set in motion the machine of profit and bureaucracy that will ultimately remove any real sense of the past.

In 1989 the Historic Royal Palaces agency was set up to run five unoccupied royal palaces as an independent and profitable business: Hampton Court Palace, Kew Palace, the Tower of London, Kensington Palace (the state apartments only) and the Banqueting House in Whitehall. Since the agency's formation, a great deal has happened, with restorations and improvements brought about to ensure that more people visit more of the palaces, and that each visit is, in some way, made more rewarding.

Curiously, it was the fire at Hampton Court Place in 1986 and the subsequent restoration of the King'a Apartments that put the new agency on the map. The decision was taken to carry out six years of highly skilled restoration under the inspired direction of a new young curator, Mr Simon Thurley. His decision to present the rooms at Hampton Court exactly as they were left by Sir Christnpher Wren, in response to the original commission of King William III, was the right one. Thurley has been much aided by the textile conservation studio, which is based at Hampton Court, and by the general wish to see the palace not merely as a series of empty rooms hut as a place where monarchs once lived. The inspiration for the approach at Hampton Court is the palace of Versailles, where the painstaking restoration and rejuvenation of the royal apartments began in the 1970s.

The search for anthenticity is, however, an entirely alusive thing. No amount of research can precisely capture the way the royal palaces were used. I have written in the past about the highly dnbious restoration that went on in the Queen's House at Greenwich, where there was little genuine decoration or furniture. There were some inexcusable things at Greenwich – the photographic copy of ceiling murals, the cheap gilded furniture and everywhere inexpensive materials masquerading as "authentic" ones.

The quality of the work at Hampton Court is in a different league. The raw materials are better but so is the taste and the judgment. There are some grey areas – the costumed guides do smack of a Disney experience and the sensation of everything looking new is curiously neat and depressing. I wonder what foreign visitors really make of the smart apartments? I am old enough to remember the sense of enjoying the old and the shabby at Hampton Court and also tha sense of discovery that comes from not being organised and steered as a visitor, of making one's own discoveries. I will never forget the first time, as the only person there on a winter visit, I looked down into the Chapel at Hampton Court.

The people I have spoken to at Historic Royal Palaces are full of the word, "reinterpretation". It is a word that is also much in vogue at the National Trust. It involves freezing palaces, parks and rooms at a certain moment in history.

We are going to see a good example of this at Kensingtou Palace soon, when the King's Gallery will be "restored" to the William Kent designs with white and gold panelling, with pictures rehung in William Kent frames. This room will in fact be new but will be described as a restoration. We are on thin ice here and in danger of losing all sense of the marks of time on the walls of our ancient palaces. At Kensington Palace there will also be special "themed" tours. You will be able to plug into an architectural tour or a costume tour or even a play that will relay the past via your "Walkman" as you pace the newly polished floors.

The past was once seen as a delicate thing that had to be gently nurtured and largely left alone. Now the past is a business and is doing well drumming up the visitors in numbers large enough to kill the things they love. I often feel like a lone voice – I actually like decay and signs of wear and age. I like undiscovered and uninterpreted history. It is the sound byte of history that we are experiencing today. As I went past the Crown of England on the travelator at the Tower, I knew that all sense of real mystery and significance of that once sacred object had gone for ever. Is that what is happening as we sanitise and restore so much of tha past? Making all things new and then reinterpreting them as old is a baffling way to maintain a sense of history. But then, perhaps I'm in need of a bit of restoration myself.

Crown Copyright

Nearly new: one of the King's Apartments at Hampton Court restored after the 1986 fire

## Vienna Philharmonic

# Shame about the maestros

While Austria waits patiently for confirmation of its entry into the European Union, the country's leading orchestra has already crossed the threshold. Since last year the Vienna Philharmonic Orchestra has committed itself to an annual European series of concerts, taking it regularly to Paris, Berlin and the Royal Festival Hall in London.

At tbe start it must bave looked a foolproof project. The orchestra could play the role of Austria's cultural ambassador, exporting music of the highest quality arnnnd Europe. Unfortunately, people who thought they were being guaranteed concerts which were antomatically snperinr have had a cruel disappointment. Nnthing that the Vienna Philharmonic has done so far has lived np to memories of its visits in the 1970s and 1980s witb conductors sncb as Böhm, Jochum and Bernstein.

This is not the orchestra's fault. The standard of its playing remains at the top of the league, hnt the fêted maestros that it has brought with it seem unable to draw from the players anything beyond technical excellence. The effect is like window-shopping in Kärntoerstrasse, Vienna's premier street. The symphonies and tone poems are dressed like manneqnins in the finest orchestral clothes, the cnt exquisite, the textures luxurious, the quality simply the best, but the music within remains as lifeless as any shnp-window dummy.

Any one of onr Britisb orchestras would be prond to have a violin section that could phrase the opening of the slow movement to Schubert's Sixth Sympbony as elegantly as the Vienna Philharmonic does. The balance of the wind on the movement's final chord was hardly less impressive. But even this unexceptional symphony should have some inner life. Zubin Mehta's performance vied with Levine's Brahms of last year as the most deadening in the five concerts to date.

Mehta's taste is for musical extravagance. Maybe tbe Schubert was only included to give the audience some respite between two works of massive excess, Wagner's Overture to *Rienzi* and Strauss's *Sinfonia domestica*. The Strauss employs one of the largest orchestras ever used. Mehta knows how to marshal gargantuan forces like these and the performance was saturated in lush textures, glorious climaxes and de luxe ensemble.

In tbe end, bowever, this concert left the intellect sleeping, the heart unmoved. Perhaps it is unfair to ask that a work as overblown as the Strauss should yield any deeper rewards, but probing a score's depths has never really been Mehta's forte. In none of the concerts that I have heard in these series has this marvellous nrchestra penetrated to the heart of a great piece of music. Somewhere there must be a conductor who can show them the way.

**Richard Fairman**

The VPO's next concert in London is on April 25

Hugo Glendinning

Small Axe: Gary Lambert, Cathrine Price, and Ben Craft (left to right)

## Dance/Sophie Constanti

# Spring Loaded

Britain's independent dance scene used to be the counter-culture territory of young choreographers and performers who had little interest in finding a place in the established contemporary dance companies. During the past few years, bowever, this supposedly alternative scene has also become a home for restless dissidents of mainstream organisations.

Jeremy James, Mark Baldwin, Gary Lambert and Ben Craft, all former members of Rambert Dance Company, now operate as independent choreographer-dancers. And all, in recent weeks, have presented evenings of their own work in the Spring Loaded season at the Place Theatre, London's busiest venue for independent dance. Ironically, it is these artists – relative newcomers to the scene – who are responsible for some of the most noteworthy and individualistic work in this year'a Spring Loaded.

Not everything served up by Lambert and Craft (as Small Axe), Baldwin (directing half a dozen ex-Rambert colleagues), and Jeremy James (sharing a bill with versatile freelancer Jo Chandler) could be described as heaven-sent. But the flaws and weaknesses are, to a great extent, diluted by a combination of intelligence and autonomy.

*Cold Ground Drifting* is the latest offering from Small Axe, the ensemble set up in 1992 by Lambert and Craft as a vehicle for their joint choreographic efforts. Like last year's rambling trail *From New Malden to Upminster*, *Cold Ground Drifting* invites its audience on a journey, transporting us to various, unspecific, hnt mostly hostile and deprived areas of the city. It also shows Lambert and Craft beginning to achieve a more organic and potent fusion of means, the overall structure of this new work being not only more visually coherent, but able to harness the same uncertainties of improvisation whicb blighted the group's debut production.

Michael Hulls' design – an arrangement of 20 stripped and hammered car bonnets – and lighting – shadowy and garish by turns – creates an urban scrapyard-cum-playground. The soundscore, by Craft, is one of those blurry collages of filtered everyday noise – footsteps, the sirens of police cars and fire engines, repeated fragments of conversation with street dwellers – broken by interludes for cello and trumpet. The four performers, Cathrine Price, Tristan Borrer, Lambert and Craft (all excellent), are not so much a team as a collection of individuals inhabiting the same space. But a reciprocal abb and flow of action emerges through shared motifs: limbs swinging into right angle hinge positions, alow push-ups, coiled jumps, the momentary transition of body weight from feet to hands.

Like Lambert and Craft, Jeremy James and Jo Chandler seem to be trying to forge a personalised language of dance based on an amalgam of techniques. But while Lambert and Craft have almost ceased looking like Rambert dancers who accidentally wandered into alien choreography and set about reprogramming their physicality on stage, James is still working within the parameters he knows and understands. In his own solo, *Scag*, he is impish, defiant, casual, but not different enough to stop you having mental flashbacks of his dancing in Rambert pieces such as Siobhan Davies' *Sounding*.

Over the last few months, Mark Baldwin, currently choreographer in residence at Sadler's Wells, has produced two new pieces – *Factual Nonsense* and *More Poulenc* – the latter an affectionate companion piece to his Poulenc-accompanied *Spirit* (created last year for Rambert). Along with *Island to Island*, (an earlier work for Rambert), and a solo entitled *Kate Lines* (for Small Axe's Cathrine Price, one of Baldwin's contemporaries at Rambert during the 1980s), this pair of newly completed dances formed his programme for Spring Loaded. *More Poulenc*, the closing number, is tbe highlight of the evening. Its prankish manner, throwaway gestures and the rich invention of its choreography become visible almost as soon as the music, Poulenc's *Les Soirees de Nazelles*, commences. *More Poulenc* is organised as a series of episodic sketches revolving around the events at a house party.

As *More Poulenc*'s mismatched characters, Sarah Warsop, Sara Matthews, Lee Boggess and Baldwin give fine performances, letting the necessary air of restraint waft elegantly across their encounters before succumbing to absurdity and mischief. The sequences for Warsop, Mattbews and Boggess are fast-moving studies in elegance and dexterity, threatened by instances of unpredictable behaviour: a limping Baldwin, coursing at dangerously high speed towards the demurely poised trio, pausing then slumping to the ground; Boggess, suddenly and inexplicably, bending over to let Warsop run her fingers up and down his spine; Baldwin lifting Warsop or Matthews as though be'a tidying up the stage. Baldwin casts himself as the principal oddball, a role in which he manages to be both mentor and fool and in which be reveals an instinctive sense of comic timing. *More Poulenc* is one of the best and strangest things he has ever made.

*INTERNATIONAL*

# ARTS GUIDE

## BERLIN

**OPERA/DANCE**

**Staatsoper unter den Linden** Tnnight: Nureyev production of Sleeping Beauty. Wed: Entführung. Thurs: Daniel Barenboim conducts Dieter Dorn's new production of Elektra, with Deborah Polaski, Uta Priew, Alessandra Marc and Falk Struckmann (repeated April 5 and 10). Fri: Die Zauberflöte. Sat and Mon: Barenboim conducts Harry Kupfer's production of Parsifal, with Reiner Goldberg, John Tomlinson and Uta Priew. Sun: Giselle (200 4762/2035 4494)

**Deutsche Oper** Tomorrow: Madama Butterfly. Wed: Die Zauberflöte. Thurs: Jiri Kout conducts Götz Friedrich's new production of Schoenberg's Erwartung (Karan Armstrong) and Bartok's Duke Bluebeard's Castle (Dorris Soffel and Richard Cowan). Fri, Sun: Alan Hacker conducts revival of Achim Freyer's staged version of Handel's Messiah. Sat: Don Giovanni. Next Mon: Aida (341 0249)

**CONCERTS**

**Schauspielhaus** Tonight: Zubin Mehta conducts Vienna Philharmonic Orchestra in works by Wagner, Schubert and Strauss. Thurs: Wolfgang Hocke conducts Orchestra of Meiningen Theatre in works by Hans von Bülow, Liszt, Rubinstein and Beethoven. Fri: Michael Schoenwandt conducts Berlin Symphony Orchestra and Ernst Senff Chorus in works by Mozart, Szymanowski and Haydn. Sun: Marcus Creed conducts Akademie für Alte Musik in Handel's oratorio La Resurrezione. Next Mon: Natalia Gutman cello recital (2090 2156)

**Philharmonie** Thurs: Vladimir Ashkenazy takes part in a programme of piano trios. Sun and next Mon: Kurt Sanderling conducts Berlin Radio Symphony Orchestra in Bruckner's Seventh Symphony. The next Berlin Philharmonic concerts are on April 9, 10 and 11, when Simon Rattle conducts works by Mozart and Nielsen, with piano soloist Stephen Kovacevich (2548 8132)

## NEW YORK

**THEATRE**

- Angels in America: Tony Kushner's epic two-part drama conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
- Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 924 8782)
- Blown Sideways Through Life: Claudia Shear's 65th job is performing this hit monologue about the previous 64 - everything from waiting tables to answering phones in a bordello. A funny and moving evening (Cherry Lane, 38 Commerce St, 989 2285)
- Pounding Nails into the Floor with My Forehead: Eric Bogosian's monologue on life in the 1990s mows down all the sacred cows of political correctness. A scathing, scatalogical, exhilarating rant (Minetta Lane, 18 Minetta Lane east of Sixth Ave, 307 4100)
- Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of bis finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)
- The Emperor Jones: a Wooster Group production of Eugene O'Neill's drama, directed by Elizabeth LeCompte. Till April 9 (Performing Garage, 33 Wooster Str (966 3651)
- Carousel: a re-creation of Nicholas Hytner's multi-award-winning National Theatre of London production of the Rodgers and Hammerstein musical, with Michael Hayden heading the American cast as Billy Bigelow (Vivian Beaumont, Lincoln Center, 239 6200)
- Crazy For You: this musical based on Gershwin's Girl Crazy recently passed its second anniversary on Broadway. A highlight of its glitzy, fluffy entertainment is Susan Stroman'a wildly imaginative choreography (Shubert, 225 West 44th St, 239 6200)
- My Fair Lady: Howard Davies' genial new production of the Lerner and Loewe musical, with Richard Chamberlain as a suave Professor Higgins and Melissa Errico the attractive Eliza (Virginia, 245 West 52nd St, 239 6200)
- Damn Yankees: a revival of the award-winning 1956 musical comedy by Richard Adler and Jerry Ross (Marquis, 1535 Broadway at 45th St, 307 4100)

**OPERA/DANCE**

**Metropolitan Opera** A new production of Otello, staged by Elijah Moshinsky and conducted by Valery Gergiev, can be seen tomorrow and Sat afternoon with a cast headed by Placido Domingo, Carol Vaness and Sergei Leiferkus (in repertory with changing casts till April 22). This week's performances also include Il barbiere di Siviglia with Susanne Mentzer and Vladimir Chernov, Der fliegende Holländer with James Morris and Julia Varady, and Elektra with Gwyneth Jones. Pavarotti sings in Tosca on April 13 and 18, and tha season ends on April 23 (362 6000)

**State Theater** Joffrey Ballet season runs from April 6 to 17 (870 5570)

**CONCERTS**

**Avery Fisher Hall** Tomorrow: Kurt Masur conducts New York Philharmonic Orchestra in works by Schoenberg and Beethoven. Thurs, Fri, Sat, next Mon: Masur conducts Mahler's Ninth Symphony (875 5030)

**Carnegie Hall** Tomorrow: Ivo Pogorelich piano recital. Wed: Robert Shaw conducts Orchestra of St Luke's and Atlanta Chamber Chorus in Bach's St John Passion. Thurs: Jon Faddis conducts Carnegie Hall Jazz Band and guest artists in a programme entitled The Blues in Jazz. April 8: Murray Perahia piano recital (247 7800)

**JAZZ/CABARET**

**Alice Tully Hall** Fri, Sat, Sun: Wynton Marsalis introduces three programmes, including a new work specially commissioned for the series Jazz at Lincoln Center (721 6500)

## PARIS

**OPERA/DANCE**

**Palais Garnier** Tonight: Opéra Ballet School gives final performance of mixed bill, choreographies by Béjart, Balanchine and Bessy. April 9: Opéra Ballet gives world premiere of new work by Angelin Preljocaj, entitled Le Parc (4742 5371)

**Châtelet** Tomorrow, Thurs, Sat: David Robertson conducts Peter Stein's WNO production of Pelléas et Mélisande, with cast headed by Alison Hagley, Neil Archer and Donald Maxwell. April 5-14: Frankfurt Ballet in two programmes choreographed by William Forsythe (4028 2840)

**Opéra Comique** April 5-22: Werther, with casts including Alfredo Kraus in title role and Martine Dupuy as Charlotte (4266 8883)

**CONCERTS**

**Salle Pleyel** Tomorrow: Guido Ajmone-Marsan conducts Ensemble Orchestral de Paris in works by Haydn, Handel and Mozart, with soprano soloist June Anderson. Wed, Thurs: Günther Herbig conducts Orchestre de Paris in Grieg, Schumann and Shostakovich, with piano soloist Radu Lupu. April 7: Alfred Brendel plays Beethoven piano sonatas (4561 0630)

**Théâtre des Champs-Elysées** Thurs: Mauricio Kagel conducts Orchestre National d'Ila da France in a programme of his own music, with soloists including tenor Nigel Robson. Fri: Yehudi Menuhin conducts Orchestre National da France in works by Prokofiev, Mozart, Ravel and Sarasata (4952 5050)

**JAZZ/CABARET**

American jazz singer Emia Andrews and Johnny Kirkwood Quartet are in residence till Sat at Lionel Hampton Jazz Club. Music from 10.30pm to 2am. April 4-16: Lynn White Revue (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

**THEATRE**

- Hamlet: Paris audiences currently have a chnice between a traditional, unfussy production directed by former RSC artistic director Terry Hands at Marigny (4256 0441), and Georges Lavaudant's swift, exciting new version for the Comédie Française the first time Shakespeare'a tragedy has been seen there for 52 years (4015 0015)
- Krapp'a Last Tape (La Dernière Bande): David Warrilow gives a performance of comic impudence in Samuel Beckett's one-man play (Athénée Louis Jouvet 4742 6727)
- Chekhov Act Three: the third acts of Uncla Vanya, Three Sisters and The Cherry Orchard, in a revealing production directed by two Moscow actors, Anastasia Vertinskaya and Alexander Kaliaguine (Théâtre des Amandiers, Nanterre 4614 7000)

### ARTS GUIDE

**Monday:** Berlin, New York and Paris.
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
**Wednasday:** France, Garmany, Scandinavia.
**Thuraday:** Italy, Spain, Athens, London, Pragua.
**Friday:** Exhibitions Guide.

### European Cable and Satellite Business TV

(Central European Time)

**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channal:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730;

# Dangers of western gullibility

**Boris Fyodorov argues the sooner Russia receives aid, the sooner policy will change – for the worse**

When one reflects on the events of the past five years, one begins to douht if the west is really interested in Russia becoming an efficient market economy with a normal democratic political system. The signals are disturbing.

When Yegor Gaidar's government was pushing forward in 1992, the west was deliberating. When progress was being made in 1993, we discussed stabilisation targets. But now Vladimir Zhirinovsky, the extreme nationalist, is elected to parliament, the west talks of disbursements.

Former US President Richard Nixon comes to Moscow to embrace the ex-jail birds (the leaders of last year's failed coup), who showed themselves so bloodthirsty in the recent past. This certainly confuses many people here.

Russian communists go to the US – that staunch bastion of western democracy – and lots of people are enchanted and call them social democrats. But do they read the communists' programme?

Western countries issue visas to Zhirinovsky and even talk about taming him through embracing him. This smacks of Munich. Let's not forget his plans about nuking some nations, changing borders, washing soldiers' boots in the Indian ocean.

US President Bill Clinton's former room-mate at Oxford, now deputy secretary of state Strobe Talbott, coins a Soviet-type slogan: "Less shock and more therapy." Many people in the west, it seems, prefer to close their eyes to the simple fact that there never was any shock therapy, ever, in Russia.

I have the feeling that the west often sees Russia through a distorted looking-glass, and sometimes applies to Russia different criteria for what makes a democracy or a normal market economy.

Today, after the agreement on the next round of financial assistance to the Russian government (via the International Monetary Fund), I again see that some in the west are misinterpreting the political situation here, and want to sacrifice economic reform for illusory political dividends.

Is it not clear that, for three months, not a single reform or even a simple economic policy measure has been enacted? Is it not clear that the west is being used to bury the remnants of the reforms? Is it not clear that a change in economic policy already affects foreign and domestic policy? Is it not clear that anti-western and nationalist attitudes are becoming more and more prevalent?

I believe that, in 1993, our relations with the west were developing in the right direction. For me, it was not so much money bot moral support that mattered. That is why when we saw, last August, that our targets had not been achieved, I was the first to alert the IMF and our government – though it would have been easy to cook the figures and get the money. We decided not to lie to ourselves and to the world.

Bnt now that the IMF has extended the second tranche of the systemic transformation facility, on the grounds that it will be politically beneficial to the west, I say: lock up the advisers who give such counsel and throw away the key.

**Western taxpayers have a right to know how their money is being spent, when they have problems of their own**

The sooner this money is handed over, the sooner wa shall see a change in policy – in the wrong direction. I recall bow Mikhail Gorbachev, after each new loan, would lose interest in any kind of economic reform.

The $1.5bn is immaterial to Russia, given the scale of its problems, and would be eaten up in a matter of minutes. Its importance is that it would be taken as a seal of approval on "corrections" to the policy.

This is now a purely political matter. The stakes are high. The idea is to abandon western-type economic policies, with western approval. Enemies of reform go against their very nature to curh credit in order to get tha loan. The externals may be different on the outside – but the substance is the same. IMF representatives are bullied, made to wait for hours by nonentities in reception rooms, and then are treated to a lesson in geography, as a map is spread to show how big Russia is and therefore how much it needs special treatment.

Please do not believe western experts who claim – just as our nationalists do – that Russia is so special that nothing from the civilised world applies to it. That is stupid: inflation is inflation in any country. Those who want Russia to move more "gradually" than now should come here and try to live on an average Russian salary for two years.

Will the west be gullible or hypocritical? Will it play the game? I do not know – but I think western taxpayers have a right to know how and to what ends their monsy is being spent, when they have problems of their own back home.

This means that a budget should first be approved by parliament, and the new government's track record examined. The government's performance on inflation – that is, the rate for which it is responsible, not the one it inherited from last year – starts only in May, because of the three or four-month time lag between credit policies and the inflation resulting from them. There is no valid reason to hurry before being reasonably sure that this government's new virtue is real.

I would not advise minimising the importance of the debt rescheduling. There are too many people in senior positions in the Russian government who think it patriotic to take as many loans as possible and then quietly plot abont debt forgiveness and debt reduction.

In 1993, we resisted doing this, by reducing borrowings and refusing even to talk about debt forgiveness. I do not believe in compensation for local incompetence, and sometimes corruption, in matters of external finance. I think it is important for creditors to be sure that fiscal discipline is in place, and that obligations will really be honoured.

I support President Boris Yeltsin and am committed up to the hilt to the reforms. But I am sure that a weakening of the western position on stabilisation will be detrimental to my country.

*The author is Russia's former deputy prime minister for finance*

Boris Fyodorov: 'Lock up those advisers and throw away the key' AP

## Samuel Brittan

# Ten commandments from the OECD

The orthodox belief today is that something called structural reform is the key to improving performance, and to combining increased efficiency with lower unemployment. It usually means opening economies more to market forces.

Yet such policies are difficult to write about in a way that excites attention. It becomes either a matter of general slogans, or a mass of industry and country detail of numhing boredom from which one cannot generalise.

The secretariat of the 24-nation Organisation for Economic Co-operation and Development has thus performed a service in publishing an overall appraisal (*Assessing Structural Reform: Lessons for the Future*). It contains 10 lessons from experience, to give the subject a sharper focus.

It is still not free of OECD-speak – perhaps the clondy terminology is an attempt to avoid stirring up opposition from politicians who have made a career out of hostility to market forces. I can perform a slight service by translating the dialect. In what follows, the sentences in heavy type are the OECD's own words:

**1. Lack of attention to incentives can lead to large costs.**

This means many kinds of intervention can create rewards for those who are ingenious in getting around them. For example, credit controls have been worn down by new non-bank institutions, falling outside the scope of the regulations, that have met customer needs.

**2. Changed circumstances can turn reasonable policies into costly ones.**

In other words, a programme to buy off interest groups can become prohibitively expensive if circumstances change. The main example is agriculture. Competitors from outside Europe have depressed world prices and increased the cost of European farming support.

**3. Delaying reform because of vested interests can increase transition costs.**

The longer you delay, the more interest groups become dependent on protection and the more expensive it is to buy them off. The US-Japan voluntary car export restraint agreement led to a transfer from American consumers to producers of $2.6bn in 1984.

**4. International integration cannot be avoided and will help improve efficiency by inhibiting rent seeking and promoting competition.**

This mouthful means producers cannot reliably protect themselves by tariffs and quotas. Overseas competitors will usually get round them by direct investment, joint ventures and so on. In the meantime, because state aid has been concentrated in key sectors – such as agriculture, steel, shipbuilding and textiles – western economies have been given a perverse twist towards activities that should be fading into the sunset.

**5. Adjustment costs need to be recognised.**

The costs of reform are concentrated on small, noisy groups and often come before the benefits. These groups often need to be, and sometimes even should be, bought off by social transfers.

**6. Technological change may reduce the need for, or change the nature of, government intervention.**

A good example is telecommunications which are no longer natural monopolies because there are now so many ways of transmitting information; and in broadcasting, spectrum shortage has become a thing of the past.

**7. Budget constraints can help avoid bad policies.**

Citizens' dislike of extra taxes is an effective obstacle to proliferating intervention. In the UK, the biggest inhibition on the Department of Trade and Industry from trying to back "winners" and provide back-door subsidies is Treasury cash ceilings. Yet the OECD warns us not to rely too much on these constraints. Governments were able to get away with agricultural policies costing taxpayers and consumers $1,750bn between 1986 and 1991 partly because some costs did not appear in government budgets and were paid by consumers in prices well above world levels.

**8. The service sector will increasingly be a focus for structural reform.**

Reform is particularly necessary because services are more sheltered from foreign trade than manufacturing; and differences between productivity in different countries are much bigger in some service sectors than in industry.

**9. Non-economic factors can influence the nature and speed of reform.**

This refers to the need to sell free market reforms, which are not always immediately attractive to the electorate. Former New Zealand Labour prime minister David Lange did so in the 1980s by combining it with radical slogans about a non-nuclear south Pacific. Lady Thatcher did it in the UK with the almost opposite technique of allying free markets with national self-assertion. We shall soon know if Silvio Berlusconi has managed to sell a combination of free market reform, regional separatism and the lingering Italian desire for a strong leader.

**10. There can be synergies between structural reform and macroeconomic environments.**

In times of prosperity, reforms will not be undertaken because there is no apparent need. In times of depression, they may he postponed to avoid unemployment. But if these obstacles can be overcome, structural reform can help macro-economic policies. For instance, if labour markets are flexible, pay and prices adjust more quickly to monetary sqneezes, and inflation can then be cured more easily and at smaller cost in temporary unemployment.

The OECD has still not discovered the secret of golden speech. Many of the examples could just as easily have gone into one category rather than another. But at least the attempt has been made.



# LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Pension funds must heed equities volatility

*From Mr Robert C Ross.*

Sir, Your leader, "More or less safe pensions" (March 23), draws attention to the very important shift of emphasis in the valuation of pension fund assets. The possible introduction of a minimum solvency standard, combined with the advancing maturity of many pension funds, means that the focus is increasingly oo the market value of assets rather than the assumed value of the future income streams, which have been the measure of health in the past.

The effective smoothing of stock market volatility by actuaries has allowed the average UK pension fund to invest up to 85 per cent of its assets in equities without embarrassment. Many commentators have suggested that mature pension funds, in which the difference between full funding and insolvency may be modest, should reduce their equity exposures. I would broadly agree with this preliminary conclusion, and would like to draw attention to the other important investment consideration, which is where the equities should be invested.

UK pension funds invest almost 70 per cent of their equities in the UK market. About 90 per cent of the volatility in UK equities is smoothed out by the actuarial methodology. By contrast, the same methodology has virtually no impact on the volatility of international equities, le there is a huge bias in favour of UK equities introduced by the smoothing process.

In the new world of market values, the full impact of volatility in both UK and international equity markets will be felt by pensions funds. Thus to have 70 per cent of the fund's exposure in a single market could appear very risky. Any objective analysis of the effect of international diversification, in which UK and international equittes are treated consistently, will show that UK exposure should be reduced, perhaps to 50-60 per cent of total equities. The UK equity component may be lower still if the currency exposure of the international investments is hedged back to sterling.

Mr Eric Lambert's letter (March 24) is interesting in this regard. It confirms that many of the funds which his company monitors are maturing. However, I do not believe he will have observed as yet any reduction in average equity exposures or change in the split between UK and international. While it is interesting to know how the consensus invests, this does not necessarily mean it is right, nor that it is appropriate for most pension funds. It is a fantasy to believe one's position in a league table will be the prime measure of success or failure in the future.

Robert C Ross,
*director of consulting,*
*Frank Russell Company,*
*6 Cork Street, London W1*

## Alternative to Treasury needed

*From Peter McGregor.*

Sir, I was interested to read that Sir John Banham is advocating the abolition of the Treasury ("Banham calls for Treasury abolition", March 21). When I proposed this desirable change some years ago (including in your Letters page), it was greeted with a certain amount of derision. I was not sure even that Mr Banham (as be was then) was convinced, when I put it to him during a coffee break at one of the Anglo-German Königswinter conferences in Cambridge some time in the mid to late 1980s.

I have not read his book, but I do not think that his proposed institutional arrangements would work. The Treasury should become the Ministry of Economics, and a new financially literate and numerate Ministry of Finance should deal with budgeting and control. With other much-needed tidying up of departments to produce greater focus and co-ordination, there need be no net increase in either departments or staff, and the changes would make co-ordination with other EU states simpler.

Peter McGregor,
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*OX13 5HH*

## Charities lose out on dividend decision

*From Mr A W Behrens.*

Sir, BAT Industries on Thursday announced that its dividend will be paid as foreign income dividend, which means that it is now effectively a gross amount. In order to protect the position of both taxpayers and non-taxpayers, the rate has been increased from 12.2p to 15.25p.

Although this will make no difference to the vast majority of holders, charities, all of which benefit from transitional relief in respect of the change in advance corporation tax rate, will suffer. I understand the Treasury has insisted that only one rate be paid; consequently, charities will lose out, as they will be unable to claim this relief.

Surely the authorities should give further consideration to this problem.

A W Behrens,
*director – charities fund management,*
*Capel-Cure Myers Capital Management,*
*The Registry,*
*Royal Mint Court, London EC3*

## Business leaders' dilemma

*From Mr Graham Alexander.*

Sir, Mr P V Zealander (Letters, March 17) is right about the dearth of biographies of modern business leaders. In our view, modesty may well explain the situation, hut certainly not lack of interest.

Some interviews we recently conducted with business leaders suggest, however, that biographies of top men and women would not (unless they were just publicising themselves) offer one single formula for creating wealth and achieving power. What they could do, on the other hand, is to throw light on some of the real dilemmas these people face. For example, how do they resist interfering when they think they already have the answer? And how do they reconcile listening with being and appearing decisive?

It seems to be a lot more complicated than a simple list of dos and don'ts.

Graham Alexander,
*chairman,*
*The Alexander Corporation,*
*32 Brook Street,*
*London W1Y 1AG*

## A much larger European fraud

*From Mr Anthony Rosen.*

Sir, Your article, "Blacklist may help stamp out EU's agriculture fraud" (March 21), uses a figure of Ecu200m for possible fraud. This is the estimate used by the agricultural commissioner.

In April 1993, the newly appointed president of the European Court of Auditors stated that "fraud within the EC is now nearly Ecu6bn".

Anthony Rosen,
*chief executive,*
*Feenix Farming,*
*Rosehill, Arford,*
*Headley, Hampshire GU35 8DF*

## Energy efficiency

*From Dr L G Brookes.*

Sir, Energy efficiency advocates like Mr Andrew Warren (Letters, March 24) persist in depicting the normal operation of energy markets as barriers to energy efficiency. "Energy tariffs," they say, "are too low."

By what criterion? If suppliers are prepared to offer fuel at these prices and consumers to take up the offer, the market is doing its job of contributing to general economic efficiency.

It is up to energy efficiency advocates to justify setting markets aside, remembering that more efficient use is not the same thing as reduced consumption. As distinguished American economist Robert Solow has pointed out: "Factor augmentation does not mean factor saving."

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FINANCIAL TIMES

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Monday March 28 1994

# Workers' rights and free trade

For an institution which will not come toto being before next year, the planned World Trade Organisation, successor to the General Agreement on Tariffs and Trade, is already accumulating an impressive workload. On top of the responsibilities vested in it by the Uruguay Round agreement, the WTO is due to be charged with reporting on trade and environment policy. Now efforts are being made – for highly suspect reasons – to add the still more controversial qnestion of workers' righta and labour standards.

The US has already moved to have the matter placed on the WTO agenda. Sir Leon Brittan, the European trade commissioner, says be favours a similar proposal. Though openly dubious about the merits of the case, he appears to have been swayed by growing political support for it in France and Italy, as well as in the US. He evidently fears that, if the EU ducks the issue, it could lose influence over events and put its own cohesion at risk.

Sir Leon is right to be sceptical. Workers' rights is a large and complex subject, and the arguments for linking lt with trade policy are unpersuasive. Bnt tha motives of the most vocal petitioners for action are all too clear. Their overriding concern is to protect domestic industries by penalising low-cost foreign exporters. France, which for once views the US as a tactical ally, has given the game away by stigmatising it as "social dumping".

## Labour surplus

The protectionist lobby is deluding itself. Even if it succeeded in imposing minimum labour standards on low-cost exporters, that would do little to blunt their comparative advantage or to relieve unemployment in the west. Wages in less developed countries will stay low as long as they remain poor and hava a huge labour surplus. Nor would labour standards deter multinational companies from shifting investments to regions such as Asia and Latin America, since wages are typically a fraction of their overall production costs.

Furthermore, the most thrusting newer exporters are relatively bigb-wage economies such as Hong Kong, Malaysia and Singapore. The biggest threats to western prosperity and competitiveness are manufactured at home.

The belief that trade policy can secure humanitarian goals, such as preventing forced labour, raising safety standards and entrenching the right of free association, is equally shaky. It relies heavily on the argument that trade policy offers the best prospect of exerting leverage on repressive third-world regimes, not on realistic assessment of its likely efficacy.

## Increased deprivation

Repugnant as child labour or wilfully dangerous working conditions are, efforts to ban them simply by imposing standards from outside could easily increase deprivation in really poor countries where no alternative legal source of family income exists. Such efforts would in any case be credible only if backed by threat of sanctions, which would risk further impoverishing third-world economies and the people the new social conditions regime is in theory designed to assist.

Real living and working standards in less developed countries will rise only if their economic welfare is first enhanced. One way is through mnch bigger aid and resource transfers than the west seems disposed to contemplate. A better one is to encourage the poorest countries to generate wealth by allowing them to benefit from unimpeded private capital flows into their economies and to export freely on world markets. That requires the west to keep trade barriers low, not to erect new ones.

There may nonetheless be a case for broad-ranging discussion of workers' rights in the WTO. That would raise awareness about the importance of humane working conditions, while allowing the international community to identify in an open forum what scope exists for actions which would genuinely promote the economic development of poorer countries. Placing the matter firmly in a multilataral framework could restrain industrialised countries from using labour standards as an alibi for unilateral trade discriminetion, and force them to defend such measures publicly. The debate would expose self-serving protectionist arguments for what they are.

# Late payment of bills

Late payment of bills is a recurrent problem for businesses across most of Europe. But it is at its worst in the UK, where delays in settling invoices have become endemic. The practice plays havoc with cashflow, kills off thousands of smaller enterprises every year and wastes immense amounts of time in chasing unpaid bills.

That mnch is easy to state. Finding effective ways of tackling this business headache is harder. The UK government issued a oonsultative paper after the November Budget exploring the options, including a statutory right to interest on overdne payments. There has been vigorous lobbying over the issue during the consultation period, which ends on Thursday. But when it comes to assessing the responses, the Department of Trade and Industry is likely to find thet there is still no consensus over the use of legislation.

The Confederation of British Industry, for exampte, opposes legislation – a stance that is backed hy its small business committee. The Federation of Small Businesses would back it only after other measures have been tried. In favour of immediate legislation are the Forum of Private Business and the Institute of Directors. Large and small businesses are on both sides of the divide.

## Poor record

The arguments in favour of legislation are seductive. The UK has one of the worst records in Europe for late payment, perhaps because most other European countries have a statutory right to interest on overdue payments. A survey by Dun and Bradstreet, the business information company, says that UK companies have to wait on average 20 days longer beyond the due date than their French counterparts, the next-worst payers in Europe. The CBI says that late payment threatens the survival of one in five companies. More than £15bn of trade debts to small and medium-sized businesses are overdue at any one time, according to Lord Alexander, chairman of National Westminster bank.

The impact is greatest on smaller businesses that can least afford to press the large customers upon whom they depend for orders. They lack the resources to chase up late payments, which larger companies control through efficient debt management strategies. And factoring may be too expensive for such businesses. Yet their prosperity is essential to the economy; small and medium-sized enterprises will provide most of the jobs needed to bring unemployment down.

## Legal rights

However, it is not clear that a statutory right to interest on overdue debt is an effective remedy. Debt payment times have lengthened in some countries that have legislation, snch as Germany. There, few companies exercise their legal rights because it would jeopardise their relationship with the customer. The introduction of statutory interest in the UK might simply lengthen the payment times that large companies are prepared to agree with their suppliers. European companies typically demand longer settlement dates than their British counterparts.

And if legislation is likely to be infrequently used, or sidestepped by changes in payment terms, then alternative strategies for improving payment of hills might be more effective. Government departments, for example, must now give details of their payment practices in their annual reports: larger companies might be required to do the same. A British standard on prompt payment could enforce such transparency and set standards for good practice.

Trade associations could be supported in helping their members combat late payment. The DTI has already provided £30,000 to the Federation of Master Builders to pay for a helpline that advises members on how to recover debts. Guidance is also offered on how to check the creditworthiness of potential customers. More of this could be done at no great cost.

If such measures have little success, the case for a statutory right to interest would be much stronger. It would then be clear, as Lord Alexander wrote in the FT in September, that legislation was needed to change the culture. But until the alternatives have been fully tried, legislation should be avoided. A combination of publicity and peer pressure is the most attractive option for the DTI.

A tentative, consumer-led economic recovery is at last in sight in Japan, says **William Dawkins**

# Sunrise approaches after long darkness

There is, for the first time in many months, a cheerful holiday mood at Tokyo's Narita airport.

Japanese tourists wearing flowery Hawaiian shirts mingle with the sober business suited crowds, testimony to a sharp rise in foreign holiday bookings this spring, to more than twice last year's level.

Most of those bolidays are being sold cheap, so travel agents are not much richer. Yet Narita's colourful tourists are among the growing number of indications in recent weeks that Japan is near the end of an economic downturn which began in mid-1991, the longest in the post-war years.

Government forecasters are understandably reluctant to predict the timing of the nptum, since some of them rejoiced at signs of recovery this time last year, which only turned out to be the heralds of a dooble-dip recession.

Yet many private sector forecasters, especially foreign ones, are confident that the recession, as defined by more than two consecutive quarters of decline, touched bottom in the final quarter of 1993. Then gross domestic product fell by 2.2 per cent compared with the same period in the previous year, producing full year growth of a mere 0.1 per cent, the worst figure since 1974.

The mean private sector forecast is for a gentle rebound to 0.3 per cent growth this year, propelled by a rise in consumer spending, which is at last responding to the government's four economic pump-priming packages worth a total of Y45,000bn ($422bn) over the past 16 months.

If the forecasts are right, this will be the first time since the war that Japan will have had a recovery led by a rise in domestic consumption alone, rather than higher industrial production in response to export demand. This means the upturn will be shallower than previous ones, says the head of a leading Japanese securities company.

Yet nobody doubts, as Mr Yasushi Mieno, governor of the Bank of Japan, told a seminar this week, that the conditions for recovery are at long last in place. "This is at least the end of tha decline," adds Mr Hirohiko Okumura, chief economist at Nomura Research Institute. Whether it is the beginning of the upturn, however, is an open question, he says.

The most important green shoot to look for is industrial output, because it represents around a third of economic activity. Prodnction fell, on an annualised basis, for a record 28 months in a row until the latest count in January. But month-on-month, January picked up slightly from December and the Bank of Japan says it expects a strong recovery in the first quarter of this year.

Mr Kagehide Kaku, the central bank's chief economist, says that if this forecast rebound in output does occur, be expects a general recovery in the early summer.

On the strength of all this, corporate Japan is beginning to feel less gloomy about the future. Business confidence sank to the lowest recorded in this recession last November – minus 22.1 on a scale representing the percentage balance of pessimists and optimists, according to a quarterly survey by the Bank of Japan, but picked up slightly to minus 13.1 last month. A sign that companies are st last getting husier is a break in a four-month fall in the ratio of job offers to applicants. The number of jobs on offer per 100 people rose from 65 in December to 67 in January.

Average corporate profits, now in their fourth year of decline, appear to be following a similar trajectory. They fell 21.6 per cent in the year to the third quarter of 1993, but showed they might be pulling out of the curve, with a smaller 6.2 per cent decline in the fourth quarter.

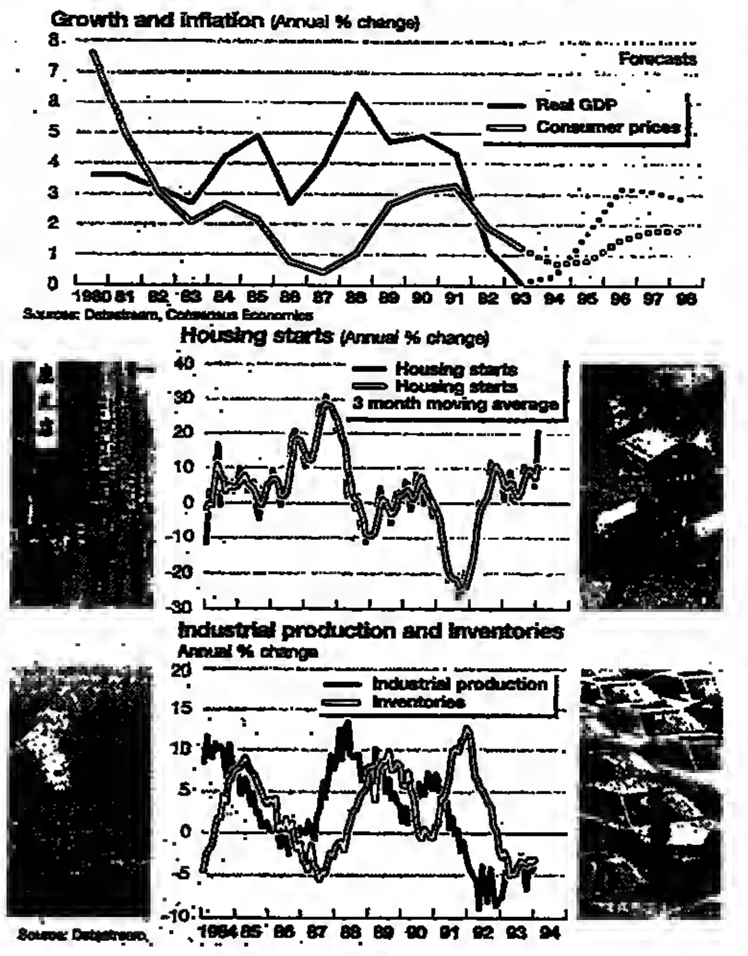
Consumer demand is more vigorous. A new feature, not present in last spring's phantom upturn, is a strong recovery in housing starts, apparent since last summer. Much of this was fuelled by cheap lending from the government's Housing Loans Corporation – which provides 80 per cent of Japanese mortgages – a sign that the government's pump-priming packages are starting to take effect.

This has fed through into a rise in consumer spending – up 0.7 per cent from the third to the final quarters of last year – as new home owners have started to equip their dwellings.

Existing home owners have also started to spend more, as they relax after having paid off some debls built up during the late 1980s spending spree. For the first time, household personal debt fell in the year to December 1992, by Y1,000bn to Y340,500bn, according to S G Warburg Securities in Tokyo.

The fact that consumer spending rose faster than wages in the final quarter of last year may indicate that the cantious Japanese have sufficient confidence to chip into their high savings rate, argues Mr Robert Feldman, director of economic researcb at Salomon Brothers Asia. "Tha economy has shifted from neutral into first or secood gear," ha believes.

Japanese economy: turning the corner?




Yet, in the medium term, there is unlikely to be a return to tha good old days. There is plenty of evidence that Japan's economy will drive out of this recession weaker than before. Most forecasters expect GDP growth to stabilise at 2 to 3 per cent annually for the rest of the decade, below the 4 per cent average for the 1980s.

The big feature in Japan's reduced ability to grow is the beavy surplus industrial capacity inherited from over-investment in tha 1980s and worseoed by Japanese industry's switch to cheaper production sites overseas in the 1990s. This has strained Japan's tradition of lifetime employment, but not enough to let it slim capacity and costs on the scale of its US and European corporate competitors and bence improve its profitability in line with theirs.

New capital investment in Japanese industry is falling sharply, down 13.2 per ceot between the third and fourth quarters of last year, for the ninth three-month period in a row, but unemployment has only crept up a fraction, from 2.1 per cent to 1991, the first year of the recession, to 2.5 per cent last year.

The jobless rate would donble if corporate Japan fired all its surplus workforce, according to an estimate by the Keidanren business organisation. In sbort, Japanese industry has cut into the fat, but not the bone.

Companies have, of course, bad to restrain wage growth to be able to afford this higb level of employment. The current annual national wage round will settle on a 3 per cent rise, tbe worst io nominal terms since the second world war.

This is not as bad for consumers as it looks since inflation is much lower than the official rate of 1.3 per cent, because the government does not count discount stores, the fastest growing retail sector, in its calculations.

Many analysts believe prices might even be falling at 1 per cent a year, though a recent rise in utility hills could change that. Wage growth will, in any event, continue to he constrained hy high costs, fears the Bank of Japan. "We are still straddled with a heavy adjustment burden," warns Mr Mieno, the bank's governor.

Another prohlem, which was not present in previous recoveries, Is the risk of a credit squeeze. Banks are reluctant to lend more to companies until they have reduced the mountain of non-performing loans they acquired by tending too much on the hack of ovar-valued property in the late 1980s. On present rates of write off, they oeed three to seven years – depending on the bank – to reduce bad dehts to a manageable size, the finance ministry estimates.

Japan's top 21 banks admit they have up to Y13,700bn in bad loans, though this is widely thought to he an underestimate. But even this official figure represents a higger hurden on Japan's economy than, relatively speaking, were the US banking system's debts at the depth of the American banking crisis. Japanese banks' bad debts represent 2.9 per cent of gross national product, as against the 1.8 per cent of US GNP represented by US banks' non-performing loans in mid-1991, according to the Bank of Japan.

On balance, Japan's recovery is likely to be too tentative to produce the early increase in demand which would satisfy US government pressure for a significant fall in the record current account surplus. That will keep up the pressure on the yen which, at last week's closing rate of Y105 to the dollar, forces many companies to Japan's export-dependent economy into a loss. However, the yen Is unlikely to show the startling rise in value which it did last year, one of tha main reasons why that apparent recovery came to nothing.

"There is no doubt that we are at the bottom," says Mr Jesper Koll, chief economist at S G Warburg in Tokyo. "But it may turn out to be a corrugated bottom, followed by a joyless recovery."

# Labour needs to prove love of markets

PERSONAL VIEW

The UK Labour party says that lt has come to love the market. Labour's leading figures proclaim they are committed to the mixed economy. Bnt can we believe them? The party's attitude to the government's public sector reforms shows a deep-seated and enduring hostility. Labour continnes to oppose market-type reforms in public services such as health and education.

Yet evidence that such reforms can improve the quality of public services is growing nationally and internationally. This should make reform attractive to a party committed to raising standards.

And market-type reforms appear to offer the only way of reconciling the conflicting pressures public services are under. Voters increasingly expect public services to be more responsive to their individual needs, as many private sector services have become. At the same time, they seem to have become reluctant to vote for higher taxes to pay for better services. So parties that promise to improve public services must explain how they will do it without raising taxes.

Market-type reforms offer the solntion by creating oompetition between suppliers of public services such as hospitals and schools. One immediate consequence is that the users can choose the type of service they prefer. If these organisations are rewarded according to the number of users they attract, they have incentives to meet individual needs.

But competition also provides incentives for greater efficiency, especially if the suppliers are given the same sort of managerial freedom enjoyed hy entrepreneurs in the private sector. More public services can be provided for the same budget if costs can be cut.

For reasons such as these, governments of left and right, from Labor Australia to the UK Conservatives, have adopted what is known in the jargon as the purchaser/provider split in public services. The organisations that supply public services, the providers, are separated from those that commission and pay for them, the purchasers.

The purchasers shop around among the providers to find the best value for money in internal markets. Providers compete for a share of the budget by striving to meet the needs of the users.

The attractiveness of this strategy is hardly surprising. If market competition can raise efficiency, encourage innovation and cultivate oooern for the customer in private sector services, it can provide similar benefits in the public services.

Yet Labour has repeatedly attacked market-type reforms in services such as health and education. Typically it describes them as "oommercialising" these services, distorting provision through competition and creating two-tier services. The very use of the term "commercialising" in this negative sense betrays Labour's underlying attitude to the market. The purpose of public services is not changed by the introduction of internal markets. In most cases, they remain available according to the need, free at the point of use.

**Market-type reforms offer the solution by creating competition between suppliers of public services**

The claim that the internal market distorts provision is just another way of calling for a return to central planning. It suggests that Labour still thinks bureaucrats in Whitehall, regional health anthorities or town halls know best bow to spend taxpayers' money.

And the accusation of a two-tier service is another way of demanding equality of outcome, something that most people are unlikely to find attractive. One of the merits of internal markets is that they produce different outcomes as providers are rewarded for meeting individual needs.

Some providers will be more successful than others in raising standards. But this does not mean creating a two-tier system forever: those that are less successful will have to improve their performance if they are not to lose customers. Such incentives are largely absent in top-down administered public services.

This is not to deny that there can be undesirable side-effects of market-type reforms. An active competition policy is needed to stop monopolists or cartels milking the taxpayer. Transaction costs can rise excessively, especially if reforms artificially separate functions without introducing real competition.

The most serious fear for Labour is that such reforms will reduce equity, a key valoe for a party of the left. This would happen if providers began to exclude people who make greater demands on tbem ("cream-skimming").

But cream-skimming can be best handled within the internal market, by increasing payments for people who make greater demands on public services. This gives providers an incentive to take them on, manipulating the market intelligently to achieve desired outcomes.

Sadly, Labour finds it hard to think positively about how to use market forces in public services. The party's endorsement of the market economy will be hollow until it concedes that market-based reforms of the puhlic services can yield similar benefits to those generated in the private sector.

**John Willman**

*This article is based on Labour and the Public Services by John Willman, published today by the Social Market Foundation, 20 Queen Anne's Gate, London SW1H 9AA. £8*

# OBSERVER

## Black's moves to pinkness

■ Newspaper tycoons are ambitiously energetic types, and Conrad Black, who controls the Telegraph group, is no exception. The US, Canada, Israel and Australia – he has interests there as well as the UK.

Black's interests are widespread, as is illustrated hy an intriguing story only now surfacing. More than a year ago he held discussions with Emap, the UK regional newspaper and magazine group run by Robin Miller, about launching a new British financial daily. There was even a name pencilled in to edit it – former Financial Times journalist Clive Wolman, now financial editor of the Mail on Sunday.

Word is, Black and Miller were not planning a full frontal assault on the FT, but were instead looking at a mid-market tabloid format. The idea died, apparently because it was thought not to be viable. But "never say never" might well be Black's motto . . .

## Silent mole

■ It's the stuff of a John Le Carré novel: who is the mole within that august institution, the London Stock Exchange?

It's emerged that last December chairman Sir Andrew Hugh Smith – who steps down on July 14 – found it necessary to hire those well-known sleuths, Kroll Associates.

Their mission? To track down the source of a number of leaks to the press – the *FT* included – about sensitive high-level appointments.

Kroll snooped around but to no avail it seems. Observer's man tells us that Kroll's report does not point the finger at any individual: "Kroll had an open brief to investigate widely but found no single source. Something happened, somebody talked, but who exactly, that's a different matter." That's the trouble with moles – never talking when you want them to.

## McKinsey's man

■ On the subject of sleuthing, try tackling McKinsey, the publicity-shy management consulting firm, about its new top dog. Partners of the firm have just picked Rajat Gupta, 45, as their new *primus inter pares*. He has declined to talk to journalists, and the firm released only the barest cv.

Indian-born but a long-standing US citizen, Gupta attended Harvard, ran McKinsey's Scandinavian offices for a while in the mid-1980s and has been head of the Chicago operation since 1989. What big assignments has he led? Don't even bother asking.

Mind you, reading the runes makes Gupta look an interesting choice. Names more commonly mentioned for the job had been Don Waite – head of the bigger New York office – and non-US consultants like Herbert Henzler, in charge of the German operation.

'The Germans got to the Cenotaph before us'

But McKinsey increasingly looks for its income outside the US, and the choice of Gupta hints at continuing that trend. Provided he survives re-election every three years, he could be around a long time.

## Good friends

■ How much should be made of last week's meeting between John Major and Lady Thatcher's press secretary at Number 10, Sir Bernard Ingham? Nothing at all, says the still formidable Sir Bernard. "I go to see him from time to time as a friend of mine," he says. "I am not operating in any advisory capacity."

Quite a number of Tory MPs will think that rather a pity. With the government lurching from crisis to crisis, they are increasingly nostalgic for the smack of firm leadership that Lady Thatcher, aided by her inimitably gruff press supremo, usually provided.

## Maori mover

■ One of New Zealand's more colourful characters, Dame Whina Cooper, who spent a lifetime defending Maori rights, has died at the age of 98.

Born on a mud floor in a Maori cookhouse in December 1895, she founded the Maori Women's Welfare League in the 1950s but sprang to national prominence in 1975, when – in her eighth decade – she led a protest march of 5,000 Maoris from her Northland bome to Wellington's parliament. Her nightly television appearances, hobbling with a walking stick on the 650-mile trek, hrought her national fame.

Maori activists later clashed hitterly with her, when she accepted a string of honours; independent to the end, she ignored her critics.

Prime Minister Jim Bolger plans to attend her funeral this week; a noble gesture, given that in 1991 she told him that his sacking of Maori affairs minister Winston Peters would bring him curses from Satan.

## Midas touch

■ Britain's credit card companies may be dilatory about charging interest more in line with bank rates; but some are sensitive toward debtors.

Take the Co-operative Bank's latest leaflet, touting its Gold Visa card. It offers a "free additional card" so "you and your partner share the shame credit limit". No stigma attached.

FINANCIAL TIMES
Monday March 28 1994



# Italians go to polls as untested candidates forge new political era

By Robert Graham in Rome

Italy's 48m voters began two days of polling yesterday in the country's most unpredictable general election since democracy was restored after the second world war.

The election marks the formal end of the postwar dominance of Italian politics by the Christian Democrats and their allies, and more than 80 per cent of the candidates bave no parliamentary experience.

The last election was only two years ago, but the corruption scandals which caused the collapse of the ruling parties forced a fresh poll.

The first exit polls will be announced tonight at 10pm, when polling stations close. But the interior ministry has warned that it could be well into tomorrow before there is a clear indication of the outcome. Vote-counting has been complicated by new electoral lawa approved last August.

These introduced a first-past-the-post system for 75 per cent of the seats in both houses of parliament, but retained proportional representation in revised form for the remainder. The aim was to allow more stable coalitions by encouraging the creation of alliances to fight the majority vote seats. But this has been offset by retention of the proportional lists, which are likely to reward the smaller parties.

Voters were yesterday being asked to choose between 15 main parties that had formed into three broad alliances of the left, centre and right. They also had to master a complex voting system with three different coloured slips – one each to cover majority and proportional voting for the chamber and a single slip for the Senate.

The main protagonists are two new political groupings – the seven-party Progressive Alliance on the left and the three-party Freedom Alliance on the right, dominated by the media magnate Mr Silvio Berlusconi.

Before the ban on opinion polls during the final two weeks of tha campaign, the Freedom Alliance looked set to obtain the most seats, but not an absolute majority. The alliance contains Mr Berlusconi's Forza Italia movement, the populist Northern League of Mr Umberto Bossi and the neo-Fascist MSI/National Alliance of Mr Gianfranco Fini.

In the final stages of the campaign, the Progressives, led by the former communist Party of the Democratic Left (PDS) under Mr Achille Occhetto, arch-rival of Mr Berlusconi, claimed they had made gains with their superior grassroots organisation.

Tbe centrist Italian Pact, headed by Mr Mario Segni, the pro-reform referendum movement leader, and former Christian Democrat leader Mr Mino Martinazzoli, appeared to claw back some ground by calling on voters to give the centre parties a balancing role.

The flow of people going to polling stations was slightly below the levels of the previous general slection in April 1992.

Zeffirelli writes himself into the political scenario, Page 3

# Optimism grows on Japanese economy

By William Dawkins in Tokyo

■ Recession hits Japanasa groups in Europe Page 4
■ Sunrise approaches after long darkness Page 11

Japan's economy appears to have touched the bottom of its 2½ year downturn, according to a growing number of private and public sector forecasters in Tokyo.

Their cautious optimism is based on a series of encouraging economic statistics over tha past few weeks. These show a pick-up in consumer demand, a slowdown in the decline of corporate profits and a reduction in the ratio of companies feeling gloomy about the future.

Mr Yasushi Mieno, governor of the Bank of Japan – one of the most cautious forecasters – belleves tbe conditions for a recovery are in place, though he sees no sign yet that a rebound has begun. The bank's latest monthly economic report says the economy "appears to have stopped weakening".

Japan's green sboots, as recorded by various government departments and agencies, include a 0.7 per cent increase in consumer spending between the third and fourth quarters of last year, and a 6.2 per cent year-on-year decline in average corporate profits in the final quarter, compared with a 21.6 per cent fall in the previous three months.

There is also a fall in the relative balance between companies feeling pessimistic and optimistic. In December, the share of companies feeling negative exceeded those feeling positive by 13.1 percentage points, down from 22.1 points in November.

There was a 0.9 per cent increase in industrial production from December to January. January output was still 3.1 per cent down on the same month in 1993, but the Ministry of International Trade and Industry and the central bank believe industrial production will show a year-on-year rise in 1994's first quarter, which they would recognise as the first sign of an upturn.

The mean forecast is for a rise in gross domestic product of 0.3 per cent this year, after the near-stagnation of 0.1 per cent in 1993, according to the latest quarterly review of economic surveys by Consensus Economics, a private consultancy. Within this, 12 of the 19 economists questioned believe growth will be above the mean forecast.

Mr Brian Rose, senior economist at Daiwa Institute of Research, which is forecasting 0.9 per cent growth this year, said tbat up to December most monthly data had been negative, but from January most numbers had been positive. "The numbers could not have gone on going down for ever, but the recovery will be weak," Mr Rose said.

Even optimistic private forecasters believe the recovery will be weak, with growth stabilising at 2-3 per cent for the rest of the decade.

# ANC action aims to secure poll freedom in S Africa province

By Patti Waldmeir in Johannesburg

The African National Congress said yesterday that it would escalate mass protest action aimed at ensuring free political activity in the strife-torn Natal province, where ANC and Inkatha Freedom party members clashed again at the weekend over preparations for naxt month's all-race elections.

South African government officials said Chief Mangosuthu Buthelezi, Inkatha leader, held a five-hour meeting with President F.W. de Klerk on Saturday, at which be gave assurances that free campaigning would be allowed in the KwaZulu homeland which he heads, and that elections could take place there despite Inkatha's poll boycott.

However, Inkatha supporters appeared to have ignored these assurances yesterday, when armed Zulus occupied a stadium in northern Natal where the ANC was to have held an election rally.

This was the third time in succession that Inkatha had prevented a weekend election rally in Natal, where more than 100 people have died in the past week.

Officials said they hoped that Chief Buthelezi's assurances to Mr da Klerk would defuse the immediate crisis over Natal, and help persuade the ANC to defer its demands that some of the chief'a powers be suspended and a state of emergency declared. However, this seems unlikely.

The ANC-dominated Transitional Executive Council, tbe multiparty body overseeing government in the run-up to elections, is due to meet again today to discuss the crisis in Netal province.

Mr Cyril Ramaphosa, ANC secretary-general, yeaterday aaid South African troops abould move into the region to help halt the violence. "We are going to insist that security forces must protect the lives of our people in Natal. They must also ensure that tbere is free political activity.

"The ANC on its part has embarked on a programme of rolling mass action to ensure that we win our demand for free political activity," Mr Ramaphosa told a Cape Town news briefing.

"That is going to escalate for as long as Buthelezi and his government do not finally agree that they will give space to political parties to operate freely, and unless be agrees the KwaZulu government will co-operate with the IEC [Independent Electoral Commission] in as far as the holding of free and fair elections is concerned," said Mr Ramaphosa.

Chief Buthelezi aaid at the weekend that a troop deployment "could be seen as an invasion".

More than 10,000 people have died in violence in Natal over the past decade.

# Opec output maintained

Continued from Page 1

cheating on their quota, a perennial problem within the organisation.

Officials say Opec ministers now realise that the present pricing policy based on supply management is insufficient. A study of various options, including the possible adoption of fixed or minimum prices, is to be presented at Opec's June meeting.

# Fyodorov hits out at deal

Continued from Page 1

expected IMF approval by the end of April or the beginning of May, placed great store on the relationship which he developed during his five-day visit to Moscow with Mr Victor Chernomyrdin, the Russian prime minister, who presents himself as a leader convinced of the need for tight monetary policy.

## THE LEX COLUMN

# Tarnished Gilts

The gilts market really is a sorry sight. According to Salomon Brothers it has been the worst performer of all leading bond markets so far this year with a negative return in local currency terms of 7.18 per cent. Last week the Bank of England again intervened to ensure orderly markets. With long yields nudging 8 per cent it has switched to a floating rate issue for this week's auction. Clearly the UK has been caught up in worldwide bond anxiety since the Federal reserve started raising interest rates last month. But that does not explain why it has suffered more than any other.

Part of the answer is that last year's supply problem has finally come home to roost. Heavy borrowing then was easily absorbed by speculative bedge funds and other professional dealers attracted by a particularly favourable combination of an upward sloping yield curve with falling inflation and interest rates. But it is now clear that much of this paper did not find its way into firm hands. Institutions bought only £13bn worth against issuance of about £50bn. Yields have to rise to the point wbere paper now being off-loaded by its original buyers becomes attractive to long-term investors. The institutions have no particular incentive to jump in when they think they can buy the same bonds eheaper tomorrow.

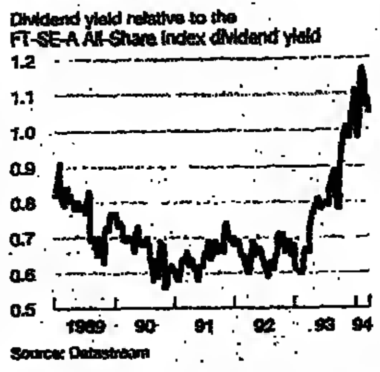
Looked at from this perspective, the gilts market is clearly overshooting. Though investors have become less optimistic about inflation, the deterioration does not appear sharp enough to warrant the 20 point fall in the long end of the market since its peak in late January. Once cooler beads prevail and investors do decide that the absolute level of yields is attractive, the rebound could be quite strong, especially since the prospect of further floating rate issues will mitigate supply worries for 1994-95.

But that leaves the question of what actually represents value in the gilts market. Against expectations that inflation could fall to around 2 per cent during the summer, a yield of nearly 8 per cent looks attractive. Price rises would be unlikely to stick at these levels, though. Assuming inflation rises to the top of the government's 4 per cent target in the medium term, yields between 7 and 7.5 per cent would not look out of place.

The biggest problem is that expectations of where inflation – and interest rates – will finally settle are shifting. Recent US experience is a reminder of what can happen when the stance of monetary policy changes and the UK is considerably further along the cycle than the rest of Europe. In December, the sterling money market was discounting base rates just below 5 per cent by the end of 1994 and 5.6 per cent by the end of 1995. On Friday it was projecting rates of 5.7 and 7.7 per cent respectively.

The money market, of course, is often wrong in its predictions. But its recent behaviour is a reminder that, while there may have been a structural downward shift in inflation, the cycle has not been done away with altogether. The gilts market has to contend with the realisation that inflation and interest rates are now at or near their trough. Even if it now rallies, that implies a basic shift in mood.

**Retailers Food**




Source: Datastream

## Food retailing

The big food retailers scared themselves and their shareholders witless last year by competing over-aggressively on price. But they appear to have re-establisbed a more orderly grocery market in recent months. Big price promotions have stopped since J. Sainsbury stamped its foot and launched its essential-for-essentials campaign. Yet the critical question remains whether that price skirmishing represented a one-off adjustment to the discount threat or was just the first manifestation of a downward price spiral caused by over-capacity.

Wm Morrison recently soothed the market by suggesting the former. Food retailers are also trying to stabilise the situation by scaling back new store developments. Stricter planning restrictions are reinforcing the effect. There is still some scope to grow profits by nailing suppliers to the floor and cutting in-house costs. The grocers are also broadening their product ranges and hastening diversification plans. Sainsbury's already boasts a presence in the US through Shaw's and runs Savacentre and Homebase in the UK too. Tesco has dipped its toe in France and a toe nail in Hungary.

Even so, the sector's earnings outlook will remain dull for a few years yet. A big re-rating therefore seems unlikely. However, there is undoubtedly great value to be had over the longer term as the casb stream remains strong and development costs tumble. An outside bidder with a lot of patience may yet be tempted to unlock it. If the grocery chains were any smaller, their own managers may have been tempted to have a go.

## Property

The Department of Environment's review of commercial leases, coming to all good HMSO booksbops soon, could rattle the foundations of the UK property market. Like many British inatitutions, the standard 25-year lease, witb its seemingly iniquitous upward-only rent reviews, has come under fire. The charge is that such leases are too rigid, unfairly weighted against the tenant and institutionalise inflation. Yet if they were changed, new property development would become riskier, given the unpredictability of future income. Rental and capital values would move together more closely and quickly transform property from a quasi-bond into a quasi-equity investment. Landlords would offset the increased risk by demanding higher initial rents or would simply stop developing marginal properties. The DoE's urban regeneration champions would hardly appreciate their colleagues' radicalism.

The DoE would therefore be wise to conclude that the traditional lease is the worst form of commercial rental agreement apart from all tbe rest. Besides, it could argue that the market's invisible hand is already slowly shaping leases to new economic conditions. Leases are shortening to 10 or 15 years and often include break clauses. The abolition of confidentiality clauses would help encourage a less imperfect market. After all, markets work best where the information flow is free.

If the government still worries that upward-only rent reviews stoke inflation, it could always recommend linking rents to the retail prices index, as happens in other European countries. That would provide another incentive for its own anti-inflationary policies.

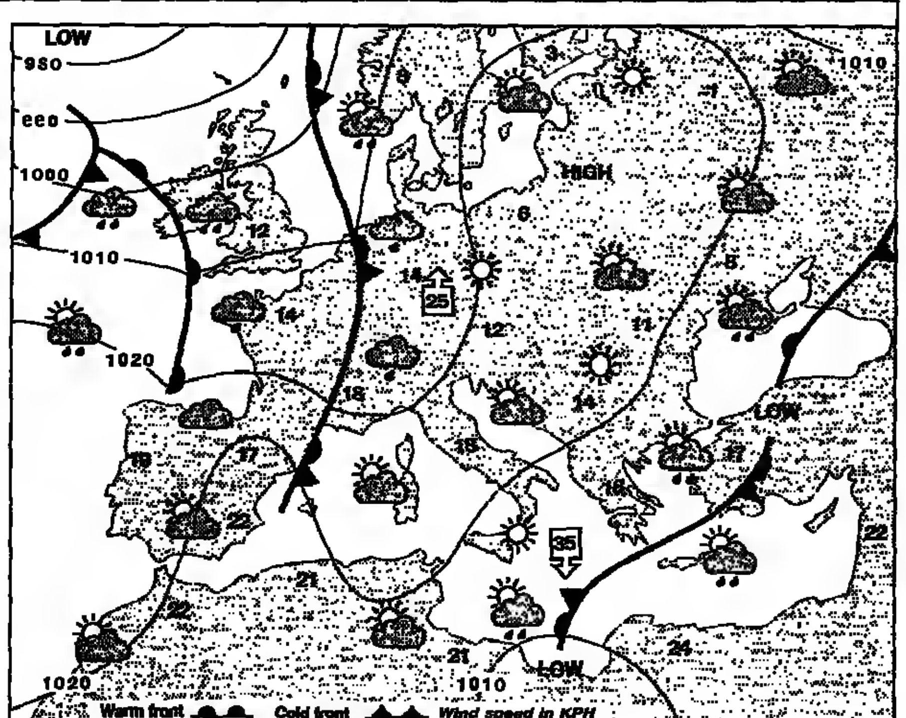
## FT WEATHER GUIDE

### Europe today

A new frontal system will move towards the UK. During the morning a warm front will cause drizzle over Ireland, spreading eastwards in the afternoon. An occluded frontal system will cross the North Sea, bringing cloudy sides and outbreaks of rain to the Benelux and France. Northern Spain and Portugal will have cloud but, apart from the north coast, it will remain mostly dry. Sunny periods will bring southern temperatures up to 23C. Strong high pressure will influence the Baltics and Belarus with light to gentle winds and frequent sunny periods. However, in this settled cold air, afternoon temperatures will stay below 5C. Greece will have sunny periods, but fresh northerly winds will bring showers to Turkey.

### Five-day forecast

A cool and unstable westerly air flow will mean frequent showers in the UK by tomorrow. The north-west continent will be cloudy with rainy periods. High pressure over the continent will slowly shift eastwards into Russia. A vigorous depression over the Atlantic will approach the UK. During the middle of the week, there will be a risk of gale or strong gale force winds along the Irish and Scottish west coasts.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | Maximum Celsius | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Belfast | drzzl | 11 | Cardiff | drzzl | 11 | Frankfurt | fair | 15 | Malta | fair | 20 | Rio | fair | 27 |
| | | | Belgrade | fair | 14 | Chicago | cloudy | 6 | Geneva | cloudy | 16 | Manchester | drzzl | 11 | Riyadh | sun | 28 |
| Abu Dhabi | fair | 29 | Berlin | sun | 12 | Cologne | rain | 14 | Gibraltar | fair | 21 | Manila | cloudy | 32 | Rome | sun | 18 |
| Accra | fair | 32 | Bermuda | shower | 23 | D' Salaam | fair | 32 | Glasgow | rain | 11 | Melbourne | sun | 27 | S. Frsco | sun | 23 |
| Algiers | fair | 21 | Bogota | cloudy | 20 | Dakar | fair | 25 | Hamburg | cloudy | 12 | Mexico City | sun | 26 | Seoul | cloudy | 6 |
| Amsterdam | cloudy | 8 | Bombay | sun | 36 | Dallas | cloudy | 13 | Helsinki | fair | 3 | Miami | fair | 31 | Singapore | shower | 30 |
| Athens | shower | 17 | Brussels | cloudy | 12 | Delhi | sun | 32 | Hong Kong | fair | 26 | Milan | sun | 18 | Stockholm | fair | 8 |
| B. Aires | sun | 28 | Budapest | fair | 11 | Dubai | fair | 28 | Honolulu | thund | 26 | Montreal | shower | 6 | Strasbourg | drzzl | 18 |
| B.ham | drzzl | 12 | C.hagen | fair | 5 | Dublin | drzzl | 12 | Istanbul | shower | 10 | Moscow | cloudy | -2 | Sydney | shower | 24 |
| Bangkok | cloudy | 33 | Cairo | sun | 28 | Dubrovnik | fair | 16 | Jersey | cloudy | 11 | Munich | fair | 15 | Tangier | fair | 17 |
| Barcelona | cloudy | 18 | Cape Town | fair | 25 | Edinburgh | cloudy | 12 | Karachi | sun | 38 | Nairobi | thund | 24 | Tel Aviv | sun | 24 |
| Beijing | cloudy | 13 | Caracas | cloudy | 25 | Faro | fair | 19 | Kuwait | sun | 24 | Naples | sun | 19 | Tokyo | fair | 15 |
| | | | | | | | | | L. Angeles | sun | 26 | Nassau | fair | 29 | Toronto | cloudy | 6 |
| | | | | | | | | | Las Palmas | fair | 22 | New York | rain | 15 | Tunis | fair | 21 |
| | | | | | | | | | Lima | cloudy | 26 | Nice | sun | 18 | Vancouver | sun | 13 |
| | | | | | | | | | Lisbon | fair | 16 | Nicosia | thund | 18 | Venice | sun | 15 |
| | | | | | | | | | London | cloudy | 13 | Oslo | fair | 7 | Vienna | fair | 13 |
| | | | | | | | | | Lux.bourg | drzzl | 11 | Paris | drzzl | 15 | Warsaw | sun | 5 |
| | | | | | | | | | Lyon | cloudy | 13 | Perth | fair | 23 | Washington | shower | 19 |
| | | | | | | | | | Madeira | fair | 18 | Prague | sun | 12 | Wellington | fair | 19 |
| | | | | | | | | | Madrid | fair | 21 | Rangoon | cloudy | 34 | Winnipeg | cloudy | -2 |
| | | | | | | | | | Majorca | fair | 20 | Reykjavik | rain | 4 | Zurich | fair | 16 |

FINANCIAL TIMES
# COMPANIES & MARKETS





Monday March 28 1994

## Banesto shareholders approve rescue

By David White in Madrid

The contest for control of Banco Español de Crédito (Banesto), the troubled Spanish bank, this week opens in earnest following approval by shareholders of a Bank of Spain-sponsored rescue plan.

At s protracted and sometimes rowdy general meeting on Saturday, minority shareholders protested angrily against the Bank of Spain's intervention and the writing-down of their shares, hnt failed to muster enough support to mount a legal challenge against the plan.

With some 73 per cent of votes delegated in advance to the provisional Banesto board, the meeting produced overwhelming support for the rescue package. Under the plan, Spain's Deposit Guarantee Fund will contribute Pta285hn ($2.06bn), lend Pta315bn for four years interest-free and subscribe to Pta180bn of new capital which it will then sell to a bank or group of banks.

The meeting also voted for joint legal action against the previous Banesto board, dismissed by the Bank of Spain three months ago. Mr Alfredo Sáenz, the current chairman, has a month to present the action, which will seek damages for acts undertaken in breach of the law or the statutes, or without proper diligence.

J.P. Morgan, the US bank which was represented on the former board by Mr Robert Mendoza, one of its vice-presidents, delegated its vote to back the rescue plan but opposed the legal action.

Mr Mario Conde, the ousted chairman, stayed away from the meeting, which heard 15 separate proposals for legal proceedings against the former administrators.

The way is now cleared for hidding to huy the controlling interest from the Deposit Guarantee Fund. Three banks – Banco Bilbao Vizcaya, Banco Santander and Argentaria – are in the running for a deal which would give any of them s dominant position in the Spanish banking sector. According to the Bank of Spain, foreign banks have not yet expressed interest.

A price of Pta100m has been set for the documentation in order to restrict it to serious bidders. Bids must be in hy April 25, with s decision due on May 9. The winning bank will be committed to keeping at least 30 per cent for four years and to respecting Banesto's name. Mr Sáenz said this was a guarantee that Banesto would not be broken up.

Mr Sáenz forecast that the bank would be sble to resume paying dividends again in 1997.

## Glaxo drug faces new rivalry

By Olwen Glynn Owen and Daniel Green in London

The fortunes of the world's best selling drug, Zantac, the anti-ulcer treatment made by Glaxo of the UK, will come under renewed threat tomorrow with confirmation that a new treatment involving Losec, its chief competitor made by Astra of Sweden, has been licensed in the UK.

The new treatment includes an antibiotic to kill bacteria which can cause a relapse of the nlcer. Up to one quarter of Zantac's global annual sales of £3.5bn ($5bn) is sccounted for by patients who take it over the long term to prevent sucb a relapse, according to stockbroker Lehman Brothers.

The Losec-plus-antibiotic combination promises to cnt sharply the need for this maintenance therapy. It gives Astra a significant head start over Glaxo, which is filing an anti-bacterial version of Zantac for regulatory approval later this year.

The licence is the latest blow to Zantac. Last week, a subsidiary of Ciba, the Swiss drugs company, said it would launch an unhranded version of Zantac that appears to sidestep the company's patent protection.

Separately, SmithKline Beecham, the Anglo-US drugs company, is preparing to lannch non-prescription versions of Tagamet, which was Zantac's main rival for most of the 1980s.

Further bad news could be oo its way with the launch next month of a drug hy Japanese pharmacentical company Takeda that works on the same principles as Losec.

The bacteria the Losec-plus-antibiotic treatment is designed to combat, *Helicobacter Pylori*, sre increasingly seen as central to s number of gastric disorders including ulcers.

Without eradicatioo therapy, nlcer patients reqnire years of regular treatment with Zantac or other stomach acid suppressing drugs to prevent ulcer recurrence and life threatening complications.

The UK licence for *H. Pylori* eradicatioo tharapy gives Astra the go-ahead to promote this nicer mansgement approach to doctors.

**Louise Kehoe** assesses Lou Gerstner's first year at the helm of computer company

## IBM drags itself out of the mire

Twelve months after his appointment as chairman and chief executive of International Business Machines, Mr Lou Gerstner is "increasingly confident" that the ailing computer company's problems can eventually be overcome.

The tough-talking New Yorker is not, however, holding out hopes of a return to the glory days of the "old IBM", when the company dominated the information technology industry and reaped huge profits on its flagship mainframe computers.

He bluntly points to IBM's ingrained bureaucratic culture as the root cause of the company's heavy losses over the past three years. IBM is "too pre-occupied with our own view of ths world", he says, telling employees that they must change the way they work if they are to have a future with the company.

Without much fanfare, Mr Gerstner has, in his first year at IBM, restructured the higher management, appointed "outsiders" to top positions and, through attrition, reshaped the board of directors.

Few of these actions have caught public attention, largely because Mr Gerstner prefers it that way. A newcomer to the computer industry, he is disconcerted by the interest that IBM attracts. "I don't give a lot of speeches," he says. "My choice in everything is to say nothing and go do it."

Before a meeting with financial analysts in New York last week when he outlined his strategic plans for the company, Mr Gerstner discussed his first year at IBM.

The company has been through "an economic shock the eqnivalent of a Los Angeles earthquake", he said. Its gross profit margins fell from more than 55 per cent in 1990 to 38 per cent last year. "When you multiply that drop by revenues of over $62bn, you understand what has happened to this company."

IBM "no longer makes a lot of money on mainframe computers", he said. "High mainframe [profit] margins are gone" – a thing of the past. "No IBM margins are ever going to return to the levels we used to have, at least we are not planning on it."

> **'We are draining a swamp here. We are not focused on the picnic grounds across the meadow'**

Neither does he expect to replace mainframe profits with a new high margin product. "Wa do not hava as part of our game plan to create a dominant position that is built on very, very high prices relative to costs," said Mr Gerstner.

"We are forcing ourselves to adopt a pessimistic view," he said, declining to predict IBM's long-term financial ootlook. "We are draining a swamp here. We are not focused on the picnic grounds across the meadow."

Cutting costs was Mr Gerstner's first priority when he joined IBM and be won praise from financial analysts for moving decisively, last July, with a $8.9hn restructuring charge inclnding the cost of 35,000 job cuts, to be completed by the end of 1995.

Based on current business conditions, IBM does not anticipate further lay-offs. However, Mr Gerstner sees a "goldmine" of other opportunities to cut IBM's costs through centralising purchasing, tighter inventory management, and eliminating duplication of effort in product development. He has formed several re-engineering task forces with the goal of reducing costs by $3bn this year and a further $1bn in 1995.

The second item on Mr Gerstner's "must do" list for his first year at IBM was to "get closer to customers". In this area he also wins high marks.

"I've seen a dramatic change in the way IBM sells technology. Its a hig, big difference," says Mr Bo Hedfors, senior vice-president of systems and tecbnology at Ericsson, the Swedish telecommunications and electronics group.

Moves to lower prices for hardware and software have helped customer relations, Mr Gerstner acknowledges, but he takes credit for meeting with "literally thousands and thousands of customers" over the past 12 months.

These contacts prompted him to accelerate the retraining of IBM's sales team. Traditionally IBM's "hlue suits" have been generalists, selling everything from mainframe computers to printer ribbons. To compete more effectively with the likes of Sun Microsystems in the workstation market, or Compaq Computer in personal computers, IBM is now forming product specialist sales groups and consulting teams.

However, two other important goals set by Mr Gersiner when be joined IBM are proving more difficult to achieve: setting strategic directions and restoring employee morale.

The new IBM chairman has been widely criticised over recent months for failing to deliver a new "vision" for IBM. He brought much of this criticism on himself hy declaring in July that "the last thing IBM needs right now is a vision".

"That was like telling the passengers on a rudderlesa ship, to keep shovelling coal into the engine and not worry about ths direction thsy are sailing in," says Mr Bob Djurdjevic, president of Annex Research, a market research group.

At the analyst meeting Mr Gerstner revealed only what he called the "broad brush-strokes" of IBM's strategy. The company plans to unveil more details about its various product segments over the coming months, a senior IBM executive said. Still, many analysts were disappointed.

Continued on next page


## Silver price set for record this week

By Kenneth Gooding, Mining Correspondent

Silver's price this week is virtually certain to go above $6 s troy ounce for the first time since March 1989, driven np by the large speculative commodity funds who are targeting the market.

The funds already have helped push up the price from this year's low of $4.90 in January to $5.70 in London on Friday. Their first target, according to dealers, is $6 an ounce.

The same funds, including thc Quantum Fund operated by Mr George Soros, the high-profile financier and currency speculator, successfully tackled the gold market abont this time last year and manoeuvred the price up from a seven-year low of $327 an ounce to more than $400.

They are rumoured to have recently speot $1bn to bny physical silver which they have moved from the New York Commodity Exchange (Comex) to vaults in Delaware to give the impression that Comex stocks are falling becausc of heavy demand. Dealers suggest the funds are willing to spend another $1bn in this effort.

Mr George Milling-Stanley, analyst at the Lshman Brothers financial services group in New York, said that, whereas the funds' attack on the gold price came when there was record demand for physical metal, this was not thc case with silver.

"I talk to consumers every day and they are not buying more silver. There has been no genuine pick-np in industrial demand," he said.

### Markets this week

Starting on page 16

**MARTIN DICKSON:**
GLOBAL INVESTOR

The first-quarter results season begins in the US in a few weeks' time, and Wall Street is expecting corporate America to report strong earnings gains. Could this be a trigger for US stock markets to decouple from the bearish influence of the bond market? Page 16.

**MARTIN WOLF:**
ECONOMIC EYE

Exchange rates of major currencies have floated since the early 1970s. They will go on floating, because a modestly managed float is the worst possible system, except all the others. Page 16.

Bonds:
Amid the ongoing weakness in global bond markets, UK gilts havs continued to post the sharpest losses, rattled by fears that rising inflation may put an end to monetary easing. Page 18.

Equities:
This week will bring some painful experiences for fund managers as they face up to a tha outcome of the first trading quarter of the year. Page 19.

Emerging markets:
Last week political unrest has raised questions over the future direction of Mexico's capital markets. Page 17.

Currencies:
Sterling and the dollar will be in the spotlight after both hreached key support levels last week. Page 31.

**STATISTICS**



## This week: Company news

DEUTSCHE BANK

### Good omens from Bavarian institutions

Deutsche Bank, the biggest bank in Germany – and, on some measures, the biggest in Europe – will announce its 1993 figures on Thursday. In addition to s commentary on last year's numbers, Mr Hilmar Kopper, chief executive and as such the most important businessman in Germany, will give his views on current year trading, on the economy and other issues of the day.

Deutsche will not be the first big German bank to report – Bayerische Vereinsbank and the Bayerische Hypotheken-und Wechsel-Bank, the two large Bavarian institutions, both reported last week. It will however be the first of the "big three", with Dresdner and Commerzbank holding their press conferences next week and the week after.

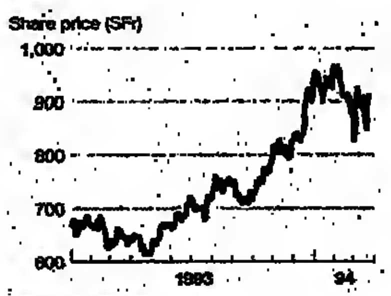
At the Bavarian banks, operating profits after provisions for bad and doubtful debts rose by about s third in each case. They enjoyed the happy combination of buoyant securities markets and strong loan growth which meant thet profits climbed rapidly despite the deep recession.

This constellation of favourable circumstances will not have passed Deutsche Bank hy, although its sheer size means that the growth will not be as pronounced as at smaller institutions.

Ms Susan Sternglass at Goldman Sachs predicts that net income for Deutsche Bank will rise by 12 per cent to DM2.02bn ($1.14bn) for 1993, below an average increase of 15 per cent for the sector.

Analysts will study Mr Kopper's remarks on current year trading with interest. The bund market has taken a dive this year but in Deutsche's case any negative repercussions from this are likely to have been offset by profits on the sale of share stakes, for example in the Daimler-Benz group where Deutsche reduced its stake from 28 to below 25 per cent.

Ciba
Share price (SFr)




Source: FT Graphite

INCHCAPE

### Inevitable swings and roundabouts

The fashion for npdating analysts on trading may have taken something of a dent after Inchcape's experience in January. When the international trading group, which announces 1993 results today met stockbroking analysts, some thought it had said nothing new of any great significance.

But others came away from the meeting bearish, and cut their forecasts. In the following days the shares slumped nearly 70p from s high of 606p, and have only recently begun to recover. All will be revealed in today's numbers. There is s wide range of forecasts, although most close Inchcape watchers range from £255m ($372m) to £270m, up from £250.1m in 1992, excluding a £16m profit on the sale of a minority stake in Toyota GB to Toyota.

Inchcape told analysts at the briefing that the second half had been similar to the first, when profits rose from £117.1m to £130.9m, in spite of a £12m higher interest charge.

With such a diverse group there bave been inevitahle swings and roundabouts. But on the plus side, the UK car market picked up in 1993 with Toyota increasing its market share. The business services division was also performing well in most areas.

Inchcape is expected to give a more detailed division of profits within its motors sector, which contributed 60 per cent of profits in 1992.

OTHER COMPANIES

### Health check for drugs group

Ciba, biggest of the "big three" Swiss pharmaceuticals companies, reveals 1993 results tomorrow that should shed light on demand trends in continental European markets.

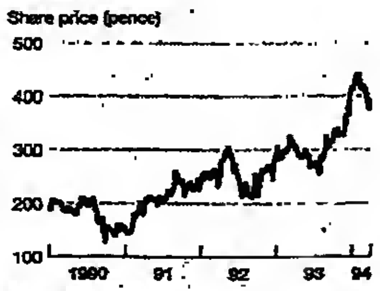
Results from the industry division – Ciba's other two main divisions are agricultural and bealthcare – will be the first under the magnifying glass as investors bunt for evidence of an end to price weakness.

■ AGF: The Paris stockmarket is already braced for a weak set of results from Assurances Générales de France on Wednesday. Mr Antoine Jeancourt Galignani, the new chairman, is expected to announce a sharp fall in net profits to around FFr1bn ($160m) for 1993 from FFr1.5bn. Yet analysts are confident that AGF will rebound in 1994, thereby boosting its prospects for a successful privatisation later this year.

■ ING: The Dutch financial services group, is expected to unveil a profit rise of at least 10 per cent when it publishes its 1993 results tomorrow. The company, one of the biggest European proponents of "bancassurance", generates roughly half its profits in banking and half in insurance.

■ Caradon: the UK building products group, which last year bought RTZ's Pillar business for £800m, is expected to show a slight rise in pre-tax profits for 1993 from £125.7m ($183.5m) to around £128m to £130m when it reports on Wednesday. However, there will also be an exceptional profit of £100m on the sale last year of the group's 25 per cent stake in CarnaudMetalbox, the packaging group. Pillar will only have contributed for two months, but shareholders will look for clues as to how it is performing.

Caradon
Share price (pence)




Source: FT Graphite

■ BMW: By common consent, the domestic German car market is unlikely to make much beadway this year, but strong revving noises are expected from BMW tomorrow. Encouraged by the US recovery, the launch of a cut-off version of its 3-Series and an upcoming new-look 7-Series, it is likely to paint a bullish picture of 1994 prospects – not least to dress the window for its oncoming rights issue.

■ Metallgesellschaft: Plenty of noise can also be expected at today's annual meeting of the metals and engineering group recently dragged from the brink by a banking consortium. While the near-catastrophic events of the recent past will exercise some, most shareholders – seated in the arguably appropriate surroundings of Frankfurt Zoo – are likely to want to hear more on restructuring plans.

**Companies in this issue**

Composite insurer follows the lead set by a number of its rivals

# CU takes 'embedded values' line

By Andrew Jack

Commercial Union, the largest of the UK's composite insurers, has reported substantially increased profits and shareholders' funds for 1993 under results recast using an alternative accounting approach to the statutory requirements.

Under the "embedded values" technique, its life profits rose to £280m and total shareholders' funds to £3.5bn, compared with £119m and £2.5bo respectively.

CU was following the lead taken by a number of otber insurers over the last few months which have begun to use techniques that they believe portray their figures more effectively.

The Prudential Corporation and the life subsidiaries of BAT Industries both used an alternative technique known as "accruals accounting". Others, including Legal & General, have adopted embedded value.

Insurance law requires results to be reported using an approach which requires highly conservative reserving policies to ensure solvency.

Similar requirements will be made under new legislation triggered by EU directives from the current year-end.

Both embedded value and accruele accounting recognise profits as they are made, while providing discounts for future risks.

Mr Robbie Graham, CU's deputy group actuary, said the group decided that embedded valnes reflected "the way we seek to manage the business".

He said the reason for delay in reporting using this technique – which has been used internally for some time – was caused by the difficulties in gathering information on such a wide range of life businesses.

The Association of British Insurers is currently considering ways in which reporting using the alternative methods may be standardised.

# Unipalm heads for market with £20m tag

By Alan Cane

Unipalm, a Cambridge-based compnter communications company, is coming to market throngh a placing at 100p a sbare, valuing the company at £20.2m.

The placing is heing sponsored by Heory Cooke Finance.

Some 5.9m shares are being placed on behalf of the company and just under 1m on behalf of 3i, which will remain the company's largest sharebolder with 15 per cent of the equity.

The placing will raise £5.39m after expenses for the company which is to be used to reduce current borrowings, redeem preference shares and pay accrued dividends.

Some £4.5m will be available to fund the sales and marketing activities of Pipex, one of the group's operating companies which provides a connection service to the Internet, an international compoter network which links some 2m computers.

Forecast earnings per share for the year ended April 30 are 0.81p.

Trading In the shares begins on March 31.

# Resort Hotels' listing under threat

Resort Hotels, the troubled hotel group, has four days to conclnde a restructuring involving new management and a debt for equity swap, or a takeover by an existing hotel group, if it is to keep its listing, writes Simon Davies.

Resort's told shareholders in e letter this weekend that the Stock Exchange had warned it would be delisted if restructuring proposals were not submitted by March 31.

It was also revealed this weekend that the Serious Fraud Office was investigating matters relating to past management of the hotels gronp.

The letter follows Resort's long-delayed results for the year to April 1993, sbowing pre-tax losses of £71m.

Mr David Tonkinson, chairman, said Resort's bankers and stockholders were supportive pending talks "with other parties".

The letter gives details on Resort's share suspension in July 1993, and the resignation this month of Mr Robert Feld, former managing director.

Mr Tonkinson said in July it had become apparent that Resort had exceeded its banking facilities, contrary to information provided by Mr Feld.

Mr Feld is accused of misleading tha directors and hanks, although he denies these accusations.

**CROSS BORDER M&A DEALS**

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Allied-Lyons (UK) | Pedro Domecq (Spain) | Drinks | £739m | Allied focussing on drinks |
| National Westminster (UK) | Citizens First (US) | Banking | £340m | Fill-in acquisition |
| SCA (Sweden) | Otor Holding (France) | Packaging | £231m | Consolidating European position |
| Williams Holdings (UK) | Forney International (US) | Environmental controls | £34m | Third world move |
| Anglian Water (UK) | Fluid Systems (US) | Water services | £18.4m | Anglian's second US buy |
| Tesco (UK) | Global (Hungary) | Food retailing | £12m | Second Europe buy planned |
| Dalgety (UK) | Jaeger Participations (France) | Food | n/a | Complementary purchase |
| Lazard Houses (UK/US/France)/Credit Agricole (France) | Credit Agricole-Lazard Financial Products (JV) | Financial services | n/a | Derivatives venture |
| Olivetti (Italy)/Redgate Communications (US) | JV | Electronic | n/a | Multimedia move |
| Linde (Germany) | Unit of Dunaferr (Hungary) | Industrial gases | n/a | State group sale |

# Receivers attacked over sale of FMT

By Andrew Baxter

A row has broken oot over the sale this month of FMT, the machine tool builder which called in receivers in February, to the UK subsidiary of Giddings & Lewis, a US-owned competitor.

Mr Keith Bailey, chairman and chief executive of BSA Tools, a rival bidder for FMT, claims a chance has been missed to save the last remaining UK-owned prodncer of horizontal machining centres and manufacturing systems, and is unhappy with the way his hid was treated by Ernst & Young, the receivers.

Meanwhile, Mr Joe Wickham, FMT's former manufacturing director and a shareholder in the company, said tbe receivers have let the workforce down by failing to ensure that the business was sold as a going concern, as originally intended. Bnt Mr Alan Bloom, the receiver, has strongly defended the sale to G&L, and said Mr Bailey's bid was treated fairly.

G&L is understood to have paid about £650,000 for the FMT name and that of Kearns-Richards, along with the intellectual rights, and the profitable service, spare parts and machine rebuild business.

Mr Bailey says he would have retained a nucleus of key FMT employees and transferred final assembly of FMT machines to BSA Tools' plant, which has spare capacity.

Mr Bailey was attracted by FMT's business opportunities io China – it was close to clinching an important joint venture there. "It's a great loss, and I don't believe the best decision was reached," he said.

He is npset that G&L's bid was accepted only hours before he was dne to deliver a banker's draft to clinch the purchase.

# Oasis has designs on spring float with £60m valuation

By Peggy Hollinger

Michael and Maurice Bennett, the brothers who teamed up with designer Jeff Banks in the 1970s to create the Warehouse high street chain, are planning to bring their latest retail success to the market with the flotation this spring of Oasis.

A medium priced women's wear retailer, Oasis is likely to have a market value of more than £60m following the placing and public offer of about half the share capital.

The two brothers and a third board member, Mr Vivian Scott, are expected to retain most of their shares, currently totalling 60 per cent of the group. Oasis intends to use the market to expand, although it will receive only about £2m of the flotation proceeds. It currently runs 55 shops and expects to double this number within the next three to four years.

The company is also aiming to prepare for possible acquisitions. Mr Michael Bennett, chairman, is keen to expand the Oasis coocept to other fasbion retailers, as well as tap into the lucrative brand licensing market around the world.

Oasis is targeted at women between the ages of 18 and 35 who prefer natural fibres and comfortable clothes.

The group was set up in the early 1980s by a husband and wife team to sell ethnic clothing, but collapsed under crippling rents and a disastrous foray into the property market.

In 1991, the receivers were called in. The Bennett brothers, who had taken a stake in 1988 and begun to reposition the group, bought Oasis for £1.6m.

Since then, profits have jumped from £1.12m for the 47 weeks ended January 25 1992 to £5.57m last year, with margins weakenlog only slightly from 55.9 per cent to 55.7 per cent. Sales have risen in the same period from £9.6m to £29m. The group has no bank debt and cash of £4.9m.

Sponsors to the float are Robert Fleming, the merchant bank. The broker is Panmure Gordon.

# Yorkshire Elect Swedish buy

By Hugh Carnegy in Stockholm

Yorkshire Electricity, the UK utility, is set to buy a 20 per cent stake in Stockholm Energi, Sweden's third largest energy producer and supplier which is at present wholly owned by the city of Stockholm.

The two sides announced on Friday that they intended to reach full agreement by the summer, following the signing of an agreement in principle that Yorkshire will become a significant minority shareholder in Stockholm Energi.

Stockholm Energi reported sales last year of SKr6bn (£510m), producing 6,123 gigawatt hours of electricity, 5,093 gigawatt hours of hot water-based district heating and 369 gigawatt bours of town gas. Half its output is generated by nuclear power and 35 per cent by hydro-electric power.

The company, based chiefly in the Swedish capital, returned a profit of SKr217m in 1993, but is projecting profits of about SKr1bn this year after unwinding heavy losses from debts held in foreign currency.

Stockholm city autborities decided to seek a foreign partner in anticipation of deregulation of the Swedish market. Although deregulation terms bave yet to be determined by the governmeot, Stockbolm Energi said it needed new capital to meet new competition in its established market and to enable it to seek new markets for itself.

# Appleyard buys five Lex dealerships

Appleyard Group, the North Yorkshire-based motor dealer, is acquiring five dealerships from Lex Service for £7.5m, their net asset value, writes Rebecca Rea.

The amount will be satisfied by the issue of 4.75m shares, representing 7.2 per cent of the enlarged capital.

In the 12 months to December 26, they incurred combined operating losses of £200,000 on turnover of £40.9m.

This is the second time in less than a week that Appleyard has bought barely profitable dealerships.

On Tuesday it acquired five outlets from Whitworths Holdings for £10.2m.

Mr John Atkin, group business development director, said: "We are seeking businesses south of the M62 to become more national. We have beeo very successful with our present dealerships and we hope to repeat the success with these new acquisitions."

● Quicks Group, the car dealer, is selling its Birmingham Vauxhall dealership to Barnard (Selly Oak) for £1.08m cash.

The book value of the assets was £1.13m at March 1. In the year to December 31 the business reported a loss of £200,000.

# IBM drags itself out of the mire

Continued from previous page

The most important "strategic imperative", Mr Gerstner said, was to exploit IBM's technology better than in the past. Altbougb the company has invented many of the basic technologies used in the computer industry, it has often seen competitors take advantage of them faster. To speed technology to market, IBM will "make bets earlier" on which technologies to develop, eliminating costly duplication and the "great debates within IBM over alternative solutions" that have slowed product introductions in the past, he said. But this could increase IBM's risks of backing the wrong horse and eliminate some of the competitive advantages that the company has previously gained from its bigger size and resources.

IBM is also expanding its efforts to license technology to other companies, rather than seeing it cloned. Royalty income from licensing agreements has doubled in the past two years to almost $500m. All of these profits can be ploughed back into research, Mr Gerstner says. He has also accelerated a "massive redeployment of development money" away from mainframe computers towards development of technology and software for client/server computers and networks.

IBM's failure to make this shift earlier "is the single most important mistake IBM has made in the past decade", acknowledged Mr Gerstner. The company is overhauling its entire product line to meet growing demands for networked computers that stick to Industry standards.

Mr Gerstner must also demolish the rule-bound culture that many say prevents IBM from adapting more quickly to changes in the computer market. Over the past 12 months, Mr Gerstner has spent "hundreds and bundreds of hours meeting with tens of thousands of employees all over the world". A disciple of Mr Jack Welch, the chairman of General Electric, who invigorated that company's stodgy culture, Mr Gerstner has been sending shock waves through IBM with frank addresses to employees. "We don't move fast enough in this company," he chided on a visit to one US site. "This is an industry in which success goes to the swift, more than to the smart.

"We've got to become more nimble, entrapreneurial, focused, customer driven. We must become a principle-based company, rather than a procedural-based company."

However, cultural changes must start at the top, says Mr John Jones, an analyst at Salomon Brothers, the US broking bouse. Ha praises Mr Gerstner's appointments of "outsiders" to top positions, in particular the choice of Mr Jerry York, formerly of Chrysler, as chief financial officer. "York is the kind of executive that IBM needs; somebody who will ask the tough questions and not accept the historic explanations for lack of performance." But analysts say that Mr Gerstner needs to recruit more fresh blood.

Most of Mr Gerstner's inner circle are long-time IBM executives. However, their roles within the company have been changed. Mr Jim Cannavino, long known as a maverick within the company, has been put in charge of strategy and development. Ms Ellen Hancock, who heads IBM's networking divisiou, is also now spearheading software strategy for the whole company.

IBM's executive management committee, long the centre of power within the company, has been eliminated. In its place is the new corporate execntive committee, comprising Mr Gerstner and 10 other executives, which meets several times a month to discuss strategy.

In addition, a worldwide management council, with about 35 memhers including the heads of each product division and managers of regional operations, covers operational as well as strategic issues.

The IBM board of directors, loudly criticised at last year's shareholder meating for blindly approving decisions that led the company astray, has been slimmed down over the past year.

Since Mr Gerstner's appointment, 10 of the 19 board members who appointed him have retired, or will do so oext month. Yet only one new board member has been added: Mr Charles Knight, chairman of Emerson Electric. "Moulding a new board of directors is just as important as making internal changes if Gerstner's vision of tomorrow is to become reality," says Mr Djurdjevic. IBM oeeds to add directors representing constituencies such as its customers outside the US, he says. "The job is only half done."

Most analysts award Mr Gerstner a "gentleman's B" for his first year'a performance at IBM. He has started well, they say, but failed to complete all his assignments. His lack of knowledge of the computer industry and technology is still evident, but he has clearly grasped IBM's problems. The critical test will be IBM's financial performance over the next few quarters.

# Italtel and Siemens unit form telecoms partnership

By John Simkins in Milan

Italtel, the manufacturing subsidiary of Italy's state-owned telecommunicationa group, has concluded its long search for a foreign partner by announcing a tie-up with Siemens of Germany.

The accord, which is a further sign of cross-border moves in European telecommunications, combines the operations of Italtel and the Italian telecoms affiliate of Siemens in a new company expected to have e turnover of about L3,400bn ($2bn) in 1994 and show strong medium-term growth. Italtel'a sales totalled L2,632bn in 1993.

Siemens and Italtel's holding company, the telecoms utility Stet, will esch control 50 per cent but, as the capital of Italtel is more than four times the size of its new partner, the German group is to pay an adjustment fee. Although the value of this bas yet to be established, it is likely to be in the range of L1,200bn to L1,700bn.

Stet is expected to buy back a 20 per cent stake in Italtel held by AT&T. The US group, Alcatel of France and Ericsson of Sweden were all considered as potential partners for Italtel.

The agreement with Siemens is seen as essential to the growth of the Milan-based Italtel, which has been restricted by a limited domestic market and saw its net profits fall to L40.2bn in 1993 from L133.2bn.

The joint company aims to build up exports to 40 per cent of turnover by 1996 to 1997, and to concentrate on development of Italtel's core business – production of its Linea UT digital telephone axcbanges, whicb are in service in 18 countries. Emphasis has also been placed on the research role of Siemens in developing etrategic products.

The decision on a new partner, which has been approved by Italian unions, belps to secure jobs at Italtel, which has employs more than 15,000.

It comes amid wide restructuring within the country'a telecoms industry The government, through the IRI holding group, plans to sell its 52 per cent stake in Stet by the end of this year.

# Italian bank raises dividend

By John Simkins

Istituto Bancario San Paolo di Torino, Italy's biggest banking group in terms of assets, is to pay a L360 e share dividend for 1993, compared with L300 for 1992, in spite of only a small improvement in net profits.

Operating profits rose by 29.9 per cent to L2,257bn ($1.37bn), with falling intereat rates reflecting favourably on bond dealings, but net profits rose by only 1.4 per cent to L636bn.

Total assets, which were 6.3 per cent higher at L189,900bn, take into account the merger towards the end of the year with Banca Provinciale Lombarda and Banco Lariano. The bank said that careful cost control had allowed it to absorb the costs of the merger.

However, the narrowing of interest rate differentials and debt restructuring of troubled industrial groups limited net interest income to L3,978bn, a rise of 1.9 per cent.

Difficult economic conditions restricted loans, and provisions for bad debts totalled more than L700bn, of which L190bn is not fiscally deductible. A further L226bn of unpaid interest is unlikely to be recovered.

The ratio of bad debts to the bank'e overall loans has risen from 3.3 per cent to 4.3 per cent but is below the average for the banking system.

# Recession hits Publicis profits

By Alice Rawsthorn in Paris

The downturn in the French advertising industry last year triggered a fall in profits for Publicis, one of country'a largest advertising agencies, which reported a 15 per cent reduction in net profits to FFr126.6m ($22m) from FFr145.6m in 1992.

Publicis, lika otber French agencies, has been affected by the recession, whicb bas prompted many companies to cut their marketing budgets, and by the destabilising effect of *la loi Sapin*, the former socialist government's reform of the media buying system.

The group saw consolidated sales fall by 9 per cent to FFr18.2bn in 1993 from FFr19.8bn in 1992. However, on a strictly comparable basis the decline in sales was slightly smaller, et 4 per cent.

Publicis said that the resilience of its operations outside France had helped to counter the pressures on its domestic business.

However, in spite of the downturn, the group last year expanded its Frencb advertising activities by taking control of FCA!, which is one of the largest agencies in France and has interests in the US and other European countries.

# Details of UAL deal with unions due today

By Patrick Harverson in New York

United Airlines will today release details of the wage and work rule concessions that the company's employee unions accepted on Friday night when they signed the final documents on a $5bn labour-led buy-ont of the airline.

UAL's management and machinists' and pilots' unions signed the deal – which creates tha largest employee-owned company in the US – after 10 days of tense negotiations. The talks had been going on since March 15, when the first deadline on concluding the buy-out passed without an agreement because at the last minute the machinists' union had balked at some of the terms of the deal.

At the time, machinists were said to have been unhappy that management and non-contract employees were not accepting their fair share of concessions, and tbet UAL planned after the buy-out to offer nawly hired non-union employees lower wages and benefits. Management and machinists, however, ironed ont their differences on Friday, allowing the buy-out to go ahead.

Under the broad terms of the deal, the two unions have agreed to $5bn worth of wage and work rule concessions over the next six years in exchange for 53 per cent of UAL's stock. The union representing the airline's 17,500 flight attendants was not involved in the buy-out negotiations because it refused to accept the concessions offered by management.

UAL's sbareholders, who will vote on whether to accept the buy-out this summer, will receive $750m in cash in the deal, which will come from the airline's current cash boldings of $1.8bn.

# Foster's nets A$200m from Beswick

By Nikki Tait in Sydney

Foster's Brewing, the Australian brewer which owns Courage in the UK, is to net a A$200m (US$142m) profit from a complex restructuring of its investment in Beswick, the joint venture company which holds 322m shares in Broken Hill Proprietary, Australia's largest industrial group.

However, the deal will also reinforce the Beswick arrangement, to BHP's longer-term benefit. Nearly one-fifth of BHP's equity will continue to be beld through the joint venture, and Foster's will pledge to retain its 49.9 per cent voting interest in Beswick until the year 2010. BHP itself, which has a 50 per cent voting stake in Beswick, also "intends to retain all of its interest".

Beswick was born out of the various bid plays which surrounded BHP in the late-1980s, and involved entrepreneurs like Mr John Elliott and the late Mr Robert Holmes à Court.

Ahead of the restructuring, the BHP shares held by Beswick equalled about 19 per cent of the steel and natural resources group's equity. In turn, Beswick was 50 per cent-owed by BHP (in terms of voting rights). Foster's held 49.9 per cent and the residual interest was owned by ANZ Executors and Trustee Company.

Due to the appreciation in BHP shares aince 1988, the value of the Beswick holding has increased aignificantly. Foster's, which haa aizeable borrowings, has been keen to realise this value. BHP, however, was unwilling to alter the Beswick ownership structure.

The restructuring accommodates these conflicting desires. Beswick has issued new convertible redeemable preferences shares to all three ordinary shareholders, on a one-for-10 basis. Virtually all the "economic value" of the Beswick stakes has transfered to the new preference shares, so that the only real significance of the ordinary shares in the future is their unchanged voting rights.

Beswick plans to sell about 15m BHP shares on the stock-market, in order to redeem the bulk of Foster's preference shares. This will result in a cash payment to Foster's of around A$245m, and a net profit to the brewing group of about A$200m.

Foster's will continue to hold a small number of Beswick preference ahares, plus the original ordinary shares. The value of that remaining bolding will be A$73m, equal to Foster's initial investment in Beswick back in 1988.

Foster's will commit itself to retaining its ordinary sbares in Beswick until 2010 – compared with the previous agreed date of 1996 – but will be eble to sell more of its remaining preference shares at five-year intervals.

Beswick, meanwhile, will retain 307m BHP shares. BHP said that it intended to retain all of its interest in Beswick, both ordinary and preference shares.

# Setbacks for Belgian retailers

By Gillian Tett in Brussels

The impact of the recession on Belgian retailing was highlighted last week after two of the country'a largest retailers announced significant falls in annual profits.

GIB, the international retailing group and Belgium's largest private-sector employer, reported a net loss of BFr3.5bn ($102m) laat year, against e profit of BFr3.26bn in 1992.

Delhaize "le Lion" group, which has a strong presence in the US, reported 1993 net consolidated profits of BFr1bn, down from BFr6.3bn in 1992.

Both groups insisted that the falls were partly due to restructuring and redundancy programmes implemented in Belgnum and the US. In particular, GIB said the reorganisation of its Sarma unit had resulted in BFr5.5bn of extraordinary costs.

Meanwhile, exceptional charges arising from the closure of 88 Food Lion supermarkets in the US in 1994 reduced Delhaize's profits by BFr1.6bn.

Nevertbeless, broadly flat sales and turnover also eroded profits.

Sales in GIB'a European hypermarket and supermarket sector, which represent 61 per cent of total group sales, fell by 0.8 per cent last year. Although this was partly offset by 9 per cent growth in the European DIY sector, total group sales rose by only 2.2 per cent in 1993.

Delhaize's sales in Belgium rose by 2.5 per cent, to BFr93.4bn. In the US, sales in the Food Lion group rose by 5.8 per cent to $7.6bn.

# State Farm lifts estimate of earthquake loss

By Richard Waters in New York

January's California earthquake is likely to cost State Farm, the etate's biggest insurer, about $1bn, according to the latest estimate issued by the company on Friday.

The estimate ia sharply higher than tbe $600m State Farm had initially predicted and ranks alongside the biggest one-off losses in the industry. It follows upward revisions made by other US insurers in recent days and takes the total insured cost ol the disaster to around $4bn.

State Farm had said earlier in the week that it expected its original estimate to be adequate. However, on Friday it said that detailed examinations had revealed more severe structural damage than had been anticipated.

The scale of the damage stemmed from the unusual neture of the earthquake, which caused the ground to move in ways not normally experienced during earthquakes in the area, it said.

# Ameritech to cut staff by 6,000

By Richard Waters

Ameritech, one of the US's seven regional telephone companies, announced that it would take a $335m charge in the first quarter to cover a planned cut of 6,000 from its non-management workforce by the end of 1994.

The charge, equivalent to 60 cents a share, echoes similar one-off charges annouced by other "Baby Bells" in the past three months, among them Bell Sonth, whicb set aside $1.2bn, Nynex ($1.6bn) and Pacific Telesis ($576m.)

The job cuts et Ameritech, from 48,000 non-management workers, reflect pressure on local telepbone companies from low growth and reductions in revenues from providing local access to long-distance companies.

Ameritecb'a announcement on Friday came the day after accounting regulators had failed to agree on tighter rules concerning restructuring charges.

The Securities and Exchange Commission has argued that many companies are including in restructuring charges costs which should be attributed to their normal course of business.

# The Markets

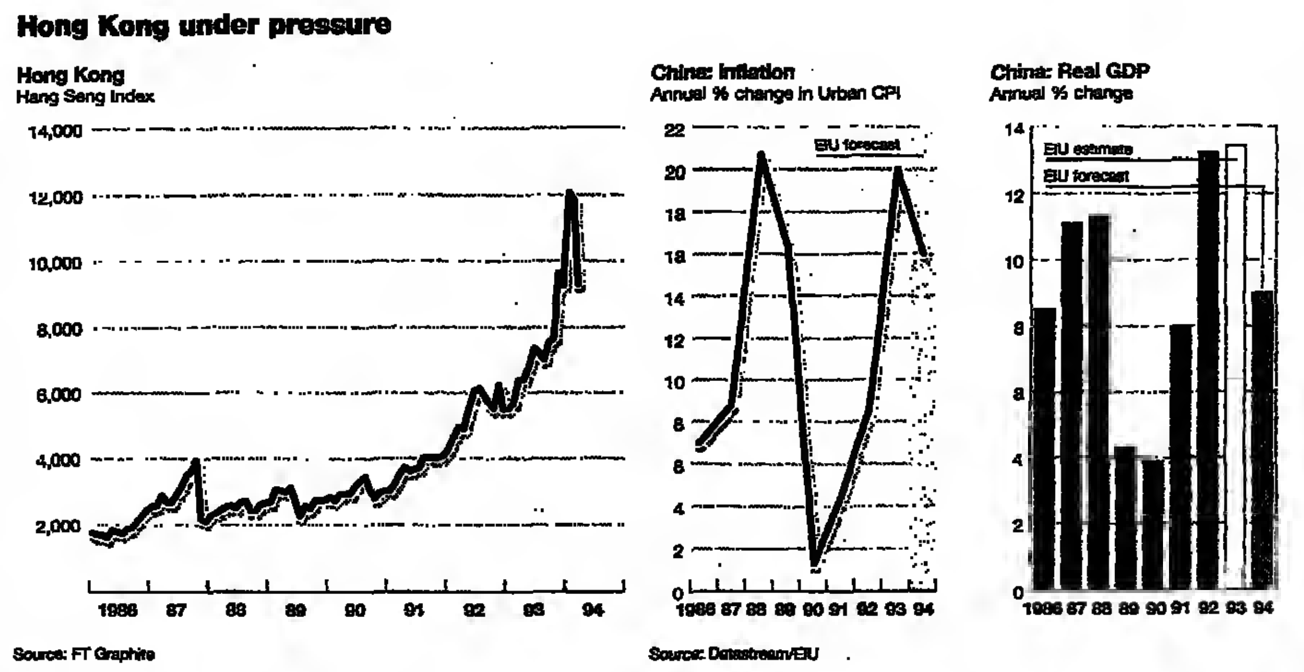
THIS WEEK

Global Investor / **Martin Dickson in New York**

# Breaking the bear's chains

The first quarter results season begins in the US in a few weeks' time, and Wall Street is expecting strong earnings gains. Conld this be a trigger for US stock markets to decouple from the bearish influence of the bond market of the past two months?

Ever since the Federal Reserve tightened monetary policy on February 4, and sent the fixed income market diving. US equity markets have taken their general direction in large measure from the jittery bood market. That said, a remarkable feature of the turmoil in global markets since February 4 has been the relative stability of US equities. The Dow Jones Industrial Average has fallen little more than 4 per cent from its all-time high, reached at the end of January, compared to a decline of about 6 per cent in Treasury bond values since the Fed tightened; the Russell 2000 index of small capitalisation stocks has outperformed the wider market, hitting several new highs this month.




There is no small irony in this, since Fed tightening was widely expected to blow a lot of froth off equity markets, while reassuring the fixed income segment that the bank had inflation firmly under control. But the big equity market corrections have been outside the US – mainly in emerging markets – as American investors' entbusiasm for foreign parts has cooled, and the resulting repatriation of funds may have belped stabilise US equities.

The US equity markets even took in their stride last week's unsettling combination of a second tightening by the Fed; the first rise in the prime lending rate in four years; e flurry of fresh political posturing in the Whitewater affair and the assassination of the front-runner to be the next leader of Mexico. That said, Friday afternoon'a drop in the long bond through 7 per cent did sent the Dow down sharply.

Stocks may be, as some Wall Street analysts maintain, only halfway towards a post-tightening correction of roughly 10 per cent, yet the market's behaviour ovar the past faw weeks suggests considerable resilience, and potential for recovery, when stocks complete their current adjustment from a world where their primary fuel is falling interest rates to one where earnings are the driving force.

Wall Street is expecting solid double digit earnings increases both this year and in 1995 as the economy expands rapidly and companies benefit in productivity gains from the restructurings of the past few years.

Stocks would certainly benefit from a recovery of the bond market's nerve, but the rally in Treasuries which followed last week's Fed tightening has now been replaced by anxiety about the hank's next turn of the interest rate screw, which could come on or about May 17, the date of the next policy-making Open Markets Committee meeting. Certainly, its hard to see Treasuries making much progress ahead of the employment figures for February, due out on Good Friday, though thereafter a reassessment of economic fundamentals could help it claw back some of its recent losses.

While history is no sure guide to the markets, the behaviour of stocks and bonds following the 10 initial Fed tightening moves which have occured over the past 30 years throws up some interesting statistics. An analysis by Elizabeth Mackay at Bear Stearns shows that six months after the tightening the S&P 500 index was on average 1.2 per cent higher and a year later it was 6.1 per cent higher.

However, those averages hide some large disparities: for example, a year after the March 1981 tightening the S&P was down 16.8 per cent, while it was up by a similar amount following the February 1988 action. And on three occasions these rallies ended in bull market peaks: 1972, 1981 and 1987. In other words, post tightening rallies can end nastily.

## ■ European bonds

Could the next few weeks finally bring about the much predicted decoupling of European long bond prices from US Treasuries? European markets followed the US into a sharp decline following the Fed's February 4 tightening, much to the surprise of many analysts and hedge fund managers, and they have yet to rally, even though the economic fundamentals on the two sides of the Atlantic remain very different.

With main continental economies still in recession, the trend is still to easier money, but the fixed income markets are still waiting for a strong lead from the Bundesbank, which has been edging rates down at e snail's pace. Last week the Bundesbank cut the key repurchase rate by 8 basis points, taking its month-long reduction to 20 basis points, and Alison Cottrell at Midland Global Markets reckons that is consistent with a 25 basis point cut in the discount rate and 50 basis points off the Lombard rate at the bank's April 28 meeting, provided the cost of living inflation figures for the month comes in at less than 3 per cent.

## ■ Hong Kong

Hong Kong has suffered one of the greatest drops of any leading equity market since the Fed tightened. But with the Crown colony in the middle of a reporting season producing strong results, has the correction run its course?

The market, in common with others in south-east Asia, enjoyed a wonderful run in 1993 as US investors focused more clearly on the region's rapid growth; but a combination of growing political tension between the US and China, and the Fed's tightening, has sent Hong Kong into sharp reverse.

Fed tightening matters partly because it has discouraged a flow of US funds into emerging markets and partly because the Hong Kong dollar is pegged to the US currency, so US rate rises feed through into the local market. On Friday. Hong Kong banks began tightening, with a 0.25 per cent rise in their base rates.

The bull case for Hong Kong is that at current levels the market is good value, compared to most other leading equity centres. Earnings are expected to grow 15 per cent or higher this year, on the back of similar increases for the past few years, and the market's prospective p/e ratio is about 15 to 16 for 1994, falling to 13 to 14 next year.

The market also remains the easiest way to place a bet on the extraordinary spurt of growth transforming mainland China. Against that, however, are several large negatives. The Hong Kong property market – a particularly large component of the Hang Seng Index – is overvalued, and could be vulnerable to a continued rise in long US rates, though for the moment Hong Kong rates remain negative in real terms.

The political and economic climate in China is also casting a long shadow. The market has learned to shrug off the dispute between the British Governor and Beijing over democratic reforms in the colony, assuming that when China takes control in 1997 it will not want to destabilise such an important economic asset.

However, This year's round of annual brinkmanship between the US and China over American demands for human rights concessions by Beijing, in exchange for renewal of most favoured nation trading status, has been particularly bruising. And while most analysts expect a comprise to be reached – the US needs China'a good offices in the nuclear weapons confrontation with North Korea – there remains the possibility that ona side or the other could make a serious misjudgement.

David Roche, an analyst at Morgan Stanley, reckons that failure to sign a deal could cut Hong Kong's GDP growth this year from the forecast 5 per cent to 3 per cent.

Also weighing on the market are domestic Chinese issues. Deng Xiaoping, China's leader since 1979 and the guiding hand behind its pragmatic economic expansion, is 89 and on a recent appearance looked extremely frail. His death could provoke a power struggla or weaken central government control. At the sama time, it is far from certain that the government can succeed with its policy of slowing growth (from 13 per cent last year to 9 per cent this year) and reining in inflation, without a hard landing which would also hit Hong Kong's growth.

Over the long term, the Chinese market holds immense potential, but with the current economic cycle looking long in tha tooth, and international investors wary, it is hard to see what is going to re-ignite the Hong Kong market in the near term, though any decline through 7,500 would present a good buying opportunity.

**Total return in local currency to 24/3/94**

| | % change over period | | | | | |
|---|---|---|---|---|---|---|
| | US | Japan | Germany | France | Italy | UK |
| **Cash** | | | | | | |
| Week | 0.06 | 0.04 | 0.10 | 0.12 | 0.15 | 0.10 |
| Month | 0.29 | 0.19 | 0.51 | 0.53 | 0.68 | 0.43 |
| Year | 3.44 | 3.28 | 6.88 | 8.69 | 11.06 | 5.88 |
| **Bonds 3-5 year** | | | | | | |
| Week | –0.46 | –0.06 | –0.55 | –0.70 | –0.57 | –1.00 |
| Month | –1.47 | –0.87 | –0.67 | –0.86 | –0.97 | –2.10 |
| Year | 2.59 | 5.43 | 7.53 | 10.83 | 20.34 | 6.42 |
| **Bonds 7-10 year** | | | | | | |
| Week | –1.08 | –0.09 | –1.38 | –1.83 | –1.33 | –2.53 |
| Month | –2.80 | –1.77 | –1.88 | –2.69 | –2.54 | –4.88 |
| Year | 2.27 | 5.35 | 7.29 | 11.91 | 27.18 | 6.84 |
| **Equities** | | | | | | |
| Week | –1.2 | –2.1 | –0.1 | –3.9 | –2.6 | –3.8 |
| Month | 0.3 | 0.3 | 2.7 | –2.7 | 2.1 | –3.9 |
| Year | 6.4 | 16.3 | 29.7 | 18.3 | 42.5 | 15.2 |

**Best performing stocks from FT-A World Indices in local currency to 24/3/94**

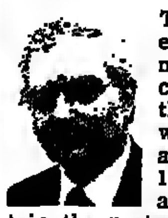
| | | % change | | |
|---|---|---|---|---|
| | Close | Week | Month | Year |
| Deelkraal Gold (SA) | 8.00 | 17.6 | 16.8 | 113.3 |
| TV Broadcasts (HK) | 33.25 | 17.5 | 18.8 | 104.0 |
| Ranger Oil (Canada) | 8.50 | 17.2 | 25.9 | 54.5 |
| Freestate (SA) | 72.00 | 16.1 | 16.6 | 98.6 |
| Randfontein Est.(SA) | 50.50 | 16.1 | 30.3 | 201.5 |
| Driefontein Gold (SA) | 59.85 | 16.0 | 19.7 | 57.5 |
| Southvaal Hldg (SA) | 163.00 | 15.6 | 45.5 | 156.7 |
| Guoco Group (HK) | 37.25 | 15.5 | 3.5 | 104.7 |
| Femsa B (Mexico) | n.a. | 14.6 | –11.0 | 64.5 |
| HK Aircraft (HK) | 44.50 | 14.1 | –6.3 | 54.5 |

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.



Economic Eye / **Martin Wolf**

# In praise of the international monetary non-system

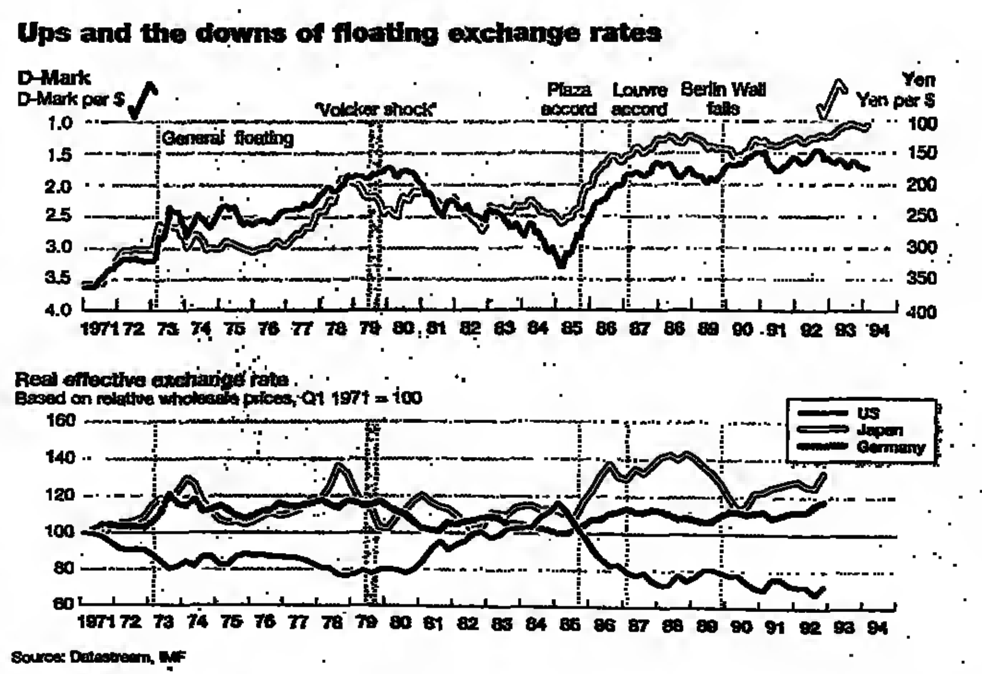


The floating exchange rate non-system comes of age this month. It was 21 years ago, in March 1973, that the attempt to sustain the postwar system of fixed but adjustable exchange rates was abandoned. But that is not the only anniversary. It was also 50 years ago, in July 1944, that the conference at Bretton Woods, New Hampshire, designed the system that expired in 1973.

It is timely, therefore, to ask whether the global system of dirty floating either will, or should, endure for the next 21 years, or more. The answer is that it both will and should.

Floating exchange rates have had relatively few friends and many enemies. Yet nothing successful has been put in their place. Small countries are able to make credible commitments to fixed exchange rates, be it through currency boards (in the case of Hong Kong, for example), the ERM (in the case of the Netherlands) or just a unilateral target (in the case of Austria). Large countries find it far more difficult. Even France, most devoted to the cause of fixed exchange rates of the members of the group of seven leading industrial countries, had to concede 15 per cent fluctuation bands within the ERM last summer.

It looks as though the world must learn to stop worrying and love floating exchange rates. Would thet be so bad?




The cbart shows what has happened to exchange rates of the three major currencies – the dollar, the yen and tbe D-Mark – since 1971, the year when President Nixon's administration devalued the doliar, a decision that led ultimately to generalised floating. Five points emerge:

- tbere is a considerably amount of short term "noise" in the movement of nominal exchange rates;
- there was one huge swing in nominal exchange rates, which began in 1980 and ending in 1987;
- that swing went into reverse in early 1985, well before the celebrated meeting of the G7 finance ministers at the Plaza Hotel in New York;
- there has been a fairly close correlation between swings in nominal and real exchange rates, although this has been less true for the D-Mark than for the other two, because Germany is shielded by the ERM;
- there have now been some seven years of reasonable exchange rate stability.

This last fact explains why schemes to reform the international monetary system – common in the mid-1960s – have ceased to attract much attention today. But it also helps put the earlier dollar "bubble" in proper perspective.

Neither credible exchange rate commitments nor intervention explain the long period of relative stability, at least after 1987. This underlines the point made by Professor Max Corden of the Johns Hopkins University School of Advanced International Studies in Washington DC, in a book to be published later this year that "managed floating is not incompatible with considerable exchange rate stability".*

The conditions for this are low and stable inflation in all participants and the absence of major shocks. Destabilising abocks do have to be major ones. Even the fall of the Berlin Wall resulted in only a modest appreciation of the D-Mark against the dollar, though it did lead to a melt-down in the more rigid ERM.

In the mid-1980s, the non-system looked far more erratic. Now it is possible to recognise that the ultimate cause of the rise of the dollar was an exceptionally large shock in the world's biggest economy: the tightening of monetary policy under Paul Volcker, chairman of the Federal Reserve, combined with the loosening of fiscal policy, under President Ronald Reagan.

It is also unlikely that any other exchange rate aystem could have coped better with such a shock. Professor Corden's book, which shows just how economic analysis ought to be used to clarify important questions for an educated general public, indicates why.

Suppose that it is accepted thet the dollar had begun to overshoot seriously by 1983 and 1984, what would have been the consequences of using monetary policy to stop the trend? The likely answer, as we know from British experience with a similar bubble in 1987 and 1988, is that US inflation would have risen instead. It is possible thet the total real exchange rate appreciation would then have been smaller. What is much more important is that the loss of competitiveness would have been more difficult to reverse under greater exchange rate stability. It would have required falling prices or at the least rapidly falling inflation, rather than the depreciation of the nominal exchange rate that occurred.

Not only has the present non-system been functioning quite well for some years, it is also difficult to conceive of any workable alternatives. The fate of the ERM has demonstrated the vulnerability of any fixed exchange rate system with imperfect credibility and free capital movement. One alternative would be a credibly fixed exchange rate system, such as a currency board or, for large countries, a currency union. The only other would be a float, but the more explicitly the exchange rate is managed within the float, the greater its vulnerability to speculation.

As Professor Corden puts it, "the current laissez faire international monetary system is simply a market system, which co-ordinates the decentralised decisions reached by private and public actors and is likely to be as efficient at this as the market system within the domestic economy." In other words, floating exchange rates among major currencies offer the worst possible system, except for all the others.

* *W Max Corden, Economic Policy, Exchange Rates, and the International System (Oxford: Oxford University Press, forthcoming).*

EMERGING MARKETS: This Week

The Emerging Investor / Damian Fraser

# A sense of calm returns to Mexico

The skilful management of events by the Mexican government and confidence in continuity of economic policy enabled Mexico's stock market to avoid the crash that had been predicted after last Wednesday's assassination of Mr Luis Donaldo Colosio, presidential candidate of the governing party. On Friday, the first day of trading since the murder, the market index fell by less than 1 per cent.

The emergence of Mr Ernesto Zedillo, a former budget minister, as favourite to take over from Mr Colosio, and the $6bn line of credit arranged with the US treasury were particularly important in reviving investor spirits after the initial panic. Mr Zedillo is from the inner circle of President Salinas's advisers that have been managing economic and social policy for the past five years.

Nevertheless, the assassination of Mr Colosio, who was heavily favoured to win this August's election, comes at a moment of extreme political uncertainty for Mexico, and may exacerbate an already tense political situation. Over the past three months there has been, apart from the assassination, a peasant uprising in the state of Chiapas, the head of the country's largest bank was kidnapped, and Mr Manuel Camacho, the peace envoy in Chiapas has been rumoured to be on the verge declaring as an independent candidate for the presidential elections.

**Ten best performing stocks**

| Stock | Country | Friday $ close | Week on week change $ | % |
|---|---|---|---|---|
| Land & Houses | Thailand | 20.9068 | 2.0284 | 10.75 |
| Intracom (Common) | Greece | 69.1535 | 6.5652 | 10.49 |
| Sian Cement | Thailand | 38.6458 | 3.4187 | 9.70 |
| Cifra (B) | Mexico | 2.9634 | 0.2443 | 8.99 |
| Fomento Economico Mexicano | Mexico | 5.4678 | 0.4465 | 8.89 |
| Teleconasia | Thailand | 3.7616 | 0.3059 | 8.85 |
| Grupo Carso | Mexico | 9.6294 | 0.7775 | 8.78 |
| Cifra (C) | Mexico | 2.6533 | 0.2062 | 8.43 |
| Advanced Info Services | Thailand | 31.9937 | 2.4518 | 8.30 |
| Cia Cervecerias Unidas | Chile | 4.6685 | 0.3404 | 7.87 |

Source: Baring Securities

Elsewhere in Latin America the immediate effect of the assassination was to depress prices, while on the jittery US stock market the Dow Jones average fell by 1 per cent.

Brazil's São Paulo stock exchange fell nearly 5 per cent on Thursday, but then bounced back with a gain of 8 per cent on Friday. Local fund managers and brokers are divided about whether the assassination will have a longer term impact on the traditionally volatile Brazilian market.

The European investment community would adopt a wait-and-see attitude, with most fund managers cautious but not too worried, according to a Latin American analyst at Kleinwort Benson in London. In fact, last week's events might have the beneficial effect, he said, of getting rid of, or at least postponing, some of the more speculative new issues that had been planned for the coming months in Mexico.

Forthcoming economic data in Mexico will be closely watched. The economy is weak, having shown two successive quarters of negative growth in the second half of last year. If the political uncertainty created by the assassination shakes consumer confidence, it could threaten to choke the economic recovery, and cut the earnings growth of quoted companies.

However, several factors are working in favour of the market.

Investors attributed some of the market's resilience to two decisions taken by the government. In closing the foreign exchange, stock and money markets on Thursday, the government prevented trading when the political situation was at its most tense. By arranging the line of credit with the US treasury, the finance ministry was able to make credible its commitment to defend the peso within the preset band.

There was also a touch of good luck. The day after Mr Colosio was assassinated, the government completed negotiations to join the Organisation for Economic Co-operation and Development. Membership of the OECD, while largely symbolic, is seen by many investors as a sign of faith in Mexico by the world's industrialised nations.

Some foreign investment houses have seen the crisis as an opportunity to buy back into the market. Mexican equities have already fallen in dollar terms by 10.2 per cent this year. Investment houses such as Goldman Sachs advised clients to buy stocks that were being sold in panic, in the expectation that when political uncertainty is resolved, stock prices will rise.

Prospects for political stability quickly returning are mixed. Mr Colosio's assassination raised the spectre of turmoil as the ruling party chose its new presidential candidate. Yet in the longer run, some analysts argue, the killing might reduce political risk.

Their belief is that Mr Colosio's death will cause the country to unite around the ruling Institutional Revolutionary Party and its new presidential candidate. He, it is assumed, will carry on the economic policies of President Salinas that have so favoured by foreign and domestic investors.

"The PRI is more likely to win now than before," says Mr Jorge Mariscal, head of Latin American research at Goldman Sachs. "The tragic event will unify the party, force the opposition to tone down protests, and because Mexicans will rally around the flag, help the government".

Such a view has gained credence as Mr Zedillo emerged as the clear front-runner to succeed Mr Colosio as the presidential candidate. The killing also seems to have put an end to the political career of Mr Camacho, who had been viewed by some investors as the main destabilising force this year.

If the political uncertainty is resolved, then the key element driving the market will be earnings growth of quoted companies, says Mr Timothy Heyman of Baring Securities. Baring reckons that earnings will increase by 21 per cent this year. Given that the price/earnings ratio of the Mexican market is 14.1 – compared to 16.2 in Argentina and 20.3 in Brazil – this would leave room for strong gains this year.

Mr Robert J Polaski of Morgan Stanley warns that earnings estimates may be cut if the assassination shakes consumer confidence. And if the recovery fails to materialise, this is sure to complicate efforts by the ruling party to win a convincing and trouble-free election this year.

*Additional reporting by Patrick McCurry in São Paulo and John Pitt in London*

## ■ Turkey

The market will react today to the outcome of yesterday's crucial municipal elections, and expectations that the government will announce an austerity package.

Last week the composite index fell 9 per cent in volatile trading. Turkey was one of the best emerging market performers in 1993, but has since fallen 34.5 per cent.

Ms Nur Pekin of Schroders commented that expectations were that the coalition would hold onto power in the elections.

The austerity package is likely to include a one year freeze on public expenditure.

## ■ Tokyo

The Japan Securities Dealers Association has lifted restrictions for Japanese individual investors to trade Shanghai B stocks.

Brokers do not expect an immediate rush to buy the shares by Japanese investors, but hope that investment trust funds, which are now allowed to accept funds from individuals following the lifting of restrictions by the JSDA, will set up China funds.

"We want more investors to get accustomed to the Chinese market through investment trust funds," says Nomura Securities.

## ■ Colombo

The Colombo stock market has been one of this year's star performers.

According to Standard Chartered's latest research note, at the end of last month the market was "the number one [emerging market] performer in the world".

The All share index hit a peak of 1,443 on March 1, but since then profit-taking has taken it down to 1,239.

Mr Rohan Fernando, deputy general manager of the stock exchange, last week said that in less than 10 months the market had increased turnover 10 fold to about SLRs250m ($5.2m), as foreign investors became active.

The exchange has plans to introduce electronic trading and has set a date of the year end for its implementation.

There are also plans to start a second tier market, and the possibility of an over-the-counter market dealing in India and Pakistan equities.

# News round-up

## ■ Peru

The privatisation programme will be completed by 1995, a government minister said while on a visit to Japan last week.

Mr Daniel Hokama Tokashiki, the energy and mines minister, said that it was hoped that the process would be finished by the end of President Fujimori's term of office.

The government used to own about 220 companies, and 80 to 100 of them have been or will be liquidated or absorbed by others.

Another 80 state-owned companies have been privatised and the rest will be under private ownership by 1995.

The government, however, would remain a major shareholder in some concerns.

## ■ Prague

The government has said that the Czech capital market is not yet ready for an options exchange, in spite of attempts by a Swedish group to set up an exchange similar to one operating in Slovakia.

"We understand the benefits a derivatives market can bring, but it is just too early for this type of exchange with the liquidity we have in our market," said Mr Vladimir Rudlovacek, deputy finance minister.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

CURRENCY MARKETS — Philip Gawith

# Nervous week for sterling and dollar

Dollar and sterling investors will this week be watching foreign exchanges nervously following volatile trading at the end of last week.

Both currencies fell through key support levels, with the dollar reaching a low of DM1.6595 in London on Friday and sterling touching DM2.4880.

The trading week will be truncated with most markets closed on Good Friday. A key exception is in the US where the Bureau of Labour Statistics has resisted high-level representations and is pressing ahead with the release of key labour market data on the day.

March non-farm payrolls and hourly earnings figures will be closely watched for evidence of inflation. There is some doubt, though, whether they can have much effect on the dollar's fortunes.

Mr Gerald Holtham, chief international economist at Lehman Brothers, notes: "The problem with the dollar is that all plausible increases in Fed funds are already priced in".

On Friday, the December eurodollar contract on Liffe settled at 94.78, discounting three month rates of 5.22 per cent at the end of year. This compares with dollar three month currently trading at 3.78/3.90 per cent.

In the UK, attention will focus on Wednesday's monthly monetary policy meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the Bank of England governor.

Hopes of an interest rate cut, however, have receded following a worse than expected February retail price inflation number; the weakness of sterling and considerable pessimism about the interest rate outlook, reflected in the short sterling futures market where prices fell sharply on Friday.

Most analysts believe the market has overreacted and that another 25 basis points cut in the base rate, to 5.25 per cent, is possible.

The timing of a possible cut looks likely, however, to be delayed into the summer. Any cut in the current climate runs the risk of undermining sterling and the gilts market even further.

The outcome of the Italian elections, expected on Tuesday, is another important event. The market appears to favour a strong, preferably centre-left, government.

A strong showing from the fascists in the south, however, could unsettle markets and push the lira below L1,000. The French franc is also in the spotlight.

Concerns about whether monetary policy is not too tight, high unemployment and rioting in the streets have led some observers to predict that the French currency could slip as low as FFr3.48 to the D-Mark.

## Baring Securities emerging markets indices

| Index | 25/3/94 | Week on week movement Actual | Percent | Month on month movement Actual | Percent | Year to date movement Actual | Percent |
|---|---|---|---|---|---|---|---|
| World (248) | 158.12 | −2.32 | −1.45 | −12.41 | −7.28 | −10.29 | −6.11 |
| **Latin America** | | | | | | | |
| Argentina (18) | 108.19 | −4.35 | −3.87 | −14.15 | −11.56 | −7.19 | −6.23 |
| Brazil (20) | 181.00 | −16.57 | −8.39 | −2.88 | −1.57 | 41.35 | 29.81 |
| Chile (12) | 159.72 | −8.42 | −5.01 | −15.39 | −8.79 | 12.18 | 8.26 |
| Mexico (24) | 149.30 | 8.47 | 4.53 | −8.54 | −5.41 | −11.97 | −7.42 |
| Latin America (75) | 153.50 | −2.74 | −1.75 | −9.08 | −5.58 | 4.26 | 2.85 |
| **Europe** | | | | | | | |
| Greece (14) | 99.28 | −1.27 | −1.27 | 0.76 | 0.77 | 16.19 | 19.48 |
| Portugal (14) | 131.70 | 1.47 | 1.13 | 3.01 | 2.34 | 19.57 | 17.45 |
| Turkey (22) | 67.08 | −7.07 | −9.54 | −35.65 | −34.70 | −94.63 | −58.52 |
| Europe (50) | 107.09 | −1.21 | −1.12 | −5.54 | −4.92 | −5.14 | −4.58 |
| **Asia** | | | | | | | |
| Indonesia (17) | 151.30 | −6.41 | −4.06 | −14.04 | −8.49 | −19.74 | −11.54 |
| Korea (23) | 113.50 | −6.56 | −5.47 | −14.02 | −10.99 | 3.80 | 3.46 |
| Malaysia (22) | 194.53 | −4.80 | −2.31 | −26.67 | −12.06 | −58.52 | −23.13 |
| Philippines (11) | 252.40 | −1.94 | −0.76 | −35.32 | −12.28 | −70.07 | −21.73 |
| Thailand (21) | 206.08 | 8.36 | 4.23 | −21.78 | −9.55 | −57.49 | −21.81 |
| Taiwan (29) | 135.39 | 0.85 | 0.63 | −7.59 | −5.31 | −18.32 | −11.92 |
| Asia (123) | 180.97 | −1.79 | −0.98 | −20.93 | −10.36 | −40.45 | −18.27 |

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 25, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 2557.40 | 1707.78 | 1023.88 | 1630.66 |
| Albania | (Lek) | 164.67 | 108.863 | 65.926 | 104.939 |
| Algeria | (Dinar) | 36.3967 | 24.3048 | 14.5716 | 23.2077 |
| Andorra | (Fr Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| | (Sp Peseta) | 205.486 | 137.221 | 82.2675 | 131.026 |
| Angola | (New Kwanza) | 51052.5(2) | 34082.8 | 20798.3 | 33176.6 |
| Antigua | (E Carr $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| Argentina | (Peso) | 1.4977 | 1.0001 | 0.5996 | 0.9549 |
| Aruba | (Florin) | 2.6798 | 1.7893 | 1.0727 | 1.7086 |
| Australia | (Aus $) | 2.1063 | 1.4066 | 0.8432 | 1.343 |
| Austria | (Schilling) | 17.5299 | 11.7061 | 7.0181 | 11.1776 |
| Azores | (Port Escudo) | 258.086 | 172.345 | 103.325 | 164.564 |
| Bahamas | (Bahama $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Bahrain | (Dinar) | 0.5647 | 0.377 | 0.226 | 0.36 |
| Balearic Is | (Sp Peseta) | 205.486 | 137.221 | 82.2675 | 131.026 |
| Bangladesh | (Taka) | 58.8498 | 39.2986 | 23.5606 | 37.5245 |
| Barbados | (Barb $) | 3.0100 | 2.0100 | 1.2054 | 1.9198 |
| Belgium | (Belg Fr) | 51.4846 | 34.3803 | 20.6119 | 32.8282 |
| Belize | (B $) | 2.9940 | 1.9993 | 1.1986 | 1.909 |
| Benin | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Bermuda | (Bermudian $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Bhutan | (Ngultrum) | 46.9904 | 31.3652 | 18.8043 | 29.9492 |
| Bolivia | (Boliviano) | 6.8284 | 4.5596 | 2.7337 | 4.354 |
| Botswana | (Pula) | 3.8585 | 2.5752 | 1.5438 | 2.458 |
| Brazil | (Cruzeiro Real) | 1293.89 | 864.033 | 518.012 | 825.027 |
| Brunei | (Brunei $) | 2.3627 | 1.5777 | 0.9459 | 1.5065 |
| Bulgaria | (Lev) | 39.70 | 26.5108 | 15.8939 | 25.314 |
| Burkina Faso | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Burma | (Kyat) | 9.4775 | 6.3288 | 3.7943 | 6.0431 |
| Burundi | (Burundi Fr) | 367.92 | 258.045 | 155.305 | 247.351 |
| Cambodia | (Riel) | 5238.50 | 3498.83 | 2097.65 | 3340.88 |
| Cameroon | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Canada | (Canadian $) | 2.0587 | 1.3747 | 0.8242 | 1.3126 |
| Canary Is | (Sp Peseta) | 205.486 | 137.221 | 82.2675 | 131.026 |
| Cp Verde | (CV Escudo) | 111.07 | 74.1702 | 44.4671 | 70.8219 |
| Cayman Is | (CI $) | 1.2275 | 0.8196 | 0.4914 | 0.7826 |
| Cent.Afr. Rep | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Chad | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Chile | (Chilean Peso) | 641.606 | 428.368 | 256.829 | 409.047 |
| China | (Yuan) | 13.0297 | 8.7009 | 5.2164 | 8.3081 |
| Colombia | (Col Peso) | 1230.63 | 821.70 | 492.665 | 784.69 |
| CIS § | (Rouble) | 0.8717o | 0.5821 | 0.3489 | 0.5558 |
| | | 2608.65m | 1742 | 1044.38 | 1663.36 |
| Comoros | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Congo (Brazz) | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Costa Rica | (Colon) | 230.15 | 153.689 | 92.141 | 146.751 |
| Côte d'Ivoire | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Croatia | (Dinar) | 9217.38 | 6155.29 | 3690.27 | 5877.43 |
| Cuba | (Cuban Peso) | 1.1338 | 0.7571 | 0.4539 | 0.7229 |
| Cyprus | (Cyprus £) | 0.7532 | 0.5029 | 0.3015 | 0.4802 |
| Czech Rep. | (Koruna) | 43.80 | 29.2487 | 17.5354 | 27.9283 |
| Denmark | (Danish Krone) | 9.8465 | 6.5752 | 3.942 | 6.2784 |
| Djibouti Rep | (Djib Fr) | 266.70 | 178.097 | 106.774 | 170.057 |
| Dominica | (E Carib $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| Dominican Rep | (D Peso) | 19.5360 | 13.0457 | 7.8212 | 12.4568 |
| Ecuador | (Sucre) | 3004.50o | 2006.34 | 1202.86 | 1915.77 |
| | | 3095.80s | 2067.31 | 1239.41 | 1973.96 |
| Egypt | (Egyptian £) | 5.0574 | 3.3699 | 2.0287 | 3.2311 |
| El Salvador | (Colon) | 13.0980 | 8.7472 | 5.2442 | 8.3523 |
| Equat'l Guinea | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Estonia | (Kroon) | 19.9368 | 13.3133 | 7.9817 | 12.7123 |
| Ethiopia | (Ethiopian Birr) | 7.3800 | 4.9282 | 2.9546 | 4.7057 |
| Falkland Is | (Falk £) | 1.00 | 0.6677 | 0.4003 | 0.6376 |
| Faroe Is | (Danish Kroner) | 9.8465 | 6.5752 | 3.942 | 6.2784 |
| Fiji Is | (Fiji $) | 2.2475 | 1.5008 | 0.8997 | 1.433 |
| Finland | (Markka) | 8.3386 | 5.5684 | 3.3384 | 5.317 |
| France | (Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Fr. Cty/Africa | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Fr. Guiana | (Local Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Fr. Pacific Is | (CFP Fr) | 155.20 | 103.639 | 62.1346 | 98.9605 |
| Gabon | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Gambia | (Dalasi) | 14.7455 | 9.8467 | 5.9033 | 9.4022 |
| Germany | (D-Mark) | 2.4978 | 1.6679 | 1 | 1.5926 |
| Ghana | (Cedi) | 1401.20 | 935.693 | 560.974 | 893.452 |
| Gibraltar | (Gib £) | 1.00 | 0.6677 | 0.4003 | 0.6376 |
| Greece | (Drachma) | 365.303 | 243.942 | 146.25 | 232.929 |
| Greenland | (Danish Krone) | 9.8465 | 6.5752 | 3.942 | 6.2784 |
| Grenada | (E Carr $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| Guadaloupe | (Local Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Guam | (US $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Guatemala | (Quetzal) | 8.7390 | 5.8357 | 3.4988 | 5.5722 |
| Guinea | (Fr) | 1462.10 | 976.361 | 585.355 | 932.283 |
| Guinea-Bissau | (Peso) | 17161.60 | 11460.2 | 6870.69 | 10942.8 |
| Guyana | (Guyanese $) | 191.615 | 127.957 | 76.7136 | 122.16 |
| Haiti | (Gourde) | 17.9640 | 11.9959 | 7.1918 | 11.4544 |
| Honduras | (Lempira) | 11.3175 | 7.5575 | 4.5309 | 7.2164 |
| Hong Kong | (HK $) | 11.5689 | 7.7254 | 4.6316 | 7.3767 |
| Hungary | (Forint) | 153.264 | 102.347 | 61.3595 | 97.7262 |
| Iceland | (Icelandic Krona) | 107.83 | 72.0068 | 43.1698 | 68.7559 |
| India | (Indian Rupee) | 46.9694 | 31.3652 | 18.8043 | 29.9492 |
| Indonesia | (Rupiah) | 3220.83 | 2150.8 | 1289.47 | 2053.71 |
| Iran | (Rial) | 2600.00 | 1736.23 | 1040.92 | 1657.85 |
| Iraq | (Iraqi Dinar) | 0.4678 | 0.3123 | 0.1872 | 0.2982 |
| Irish Rep | (Punt) | 1.0395 | 0.6941 | 0.4161 | 0.6628 |
| Israel | (Shekel) | 4.4340 | 2.9609 | 1.7751 | 2.8272 |
| Italy | (Lira) | 2470.16 | 1649.52 | 988.934 | 1575.06 |
| Jamaica | (Jamaican $) | 49.4010 | 32.9889 | 19.7776 | 31.4997 |
| Japan | (Yen) | 156.836 | 104.732 | 62.7896 | 100.004 |
| Jordan | (Jordanian Dinar) | 1.0513 | 0.702 | 0.4208 | 0.6703 |
| Kenya | (Kenya Shilling) | 97.38 | 65.0288 | 38.9863 | 62.0927 |
| Kiribati | (Australian $) | 2.1063 | 1.4065 | 0.8432 | 1.343 |
| Korea North | (Won) | 3.2188 | 2.1493 | 1.2885 | 2.0522 |
| Korea South | (Won) | 1211.81 | 809.222 | 485.151 | 772.69 |
| Kuwait | (Kuwaiti Dinar) | 0.4461 | 0.2978 | 0.1785 | 0.2844 |
| Laos | (New Kip) | 1077.84 | 719.78 | 431.516 | 687.266 |
| Latvia | (Lats) | 0.8496 | 0.5672 | 0.34 | 0.5416 |
| Lebanon | (Lebanese £) | 2539.86 | 1695.95 | 1016.77 | 1619.39 |
| Lesotho | (Maluti) | 5.1561 | 3.4431 | 2.0642 | 3.2877 |
| Liberia | (Liberian $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Libya | (Libyan Dinar) | 0.4772 | 0.3186 | 0.191 | 0.3042 |
| Liechtenstein | (Swiss Fr) | 2.1239 | 1.4182 | 0.8503 | 1.3542 |
| Lithuania | (Litas) | 5.9581 | 3.9786 | 2.3853 | 3.799 |
| Luxembourg | (Lux Fr) | 51.4846 | 34.3803 | 20.6119 | 32.8282 |
| Macao | (Pataca) | 11.9460 | 7.9772 | 4.7826 | 7.6171 |
| Madagascar | (MG Fr) | 2776.95 | 1854.39 | 1111.76 | 1770.66 |
| Madeira | (Port Escudo) | 258.086 | 172.345 | 103.325 | 164.564 |
| Malawi | (Kwacha) | 10.3520 | 6.9128 | 4.1444 | 6.6007 |
| Malaysia | (Ringgit) | 4.0658 | 2.7149 | 1.6276 | 2.5923 |
| Maldive Is | (Rufiya) | 16.6240 | 11.1011 | 6.6554 | 10.6 |
| Mali Rep | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Malta | (Maltese Lira) | 0.5751 | 0.384 | 0.2314 | 0.3668 |
| Martinique | (Local Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Mauritania | (Ouguiya) | 184.05 | 122.905 | 73.6848 | 117.358 |
| Mauritius | (Maur Rupee) | 27.1166 | 18.1036 | 10.8537 | 17.2865 |
| Mexico | (Mexican Peso) | 5.0229 | 3.3541 | 2.0109 | 3.2027 |
| Miquelon | (Local Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Monaco | (French Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Mongolia | (Tugrik) | 598.80 | 399.868 | 239.731 | 381.815 |
| Montserrat | (E Carr $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| Morocco | (Dirham) | 13.9370 | 9.3068 | 5.5797 | 8.8866 |
| Mozambique | (Metical) | 8330.46 | 5562.9 | 3335.11 | 5311.77 |
| Namibia | (S A Rand) | 5.1561 | 3.4431 | 2.0642 | 3.2877 |
| Nauru Is | (Australian $) | 2.1063 | 1.4065 | 0.8432 | 1.343 |
| Nepal | (Nepalese Rupee) | 73.7275 | 49.2337 | 29.5169 | 47.011 |
| Netherlands | (Guilder) | 2.8085 | 1.8754 | 1.1243 | 1.7907 |
| N'nd Antilles | (A/Guilder) | 2.6795 | 1.7893 | 1.0727 | 1.7085 |
| New Zealand | (NZ $) | 2.6456 | 1.7666 | 1.0591 | 1.6868 |
| Nicaragua | (Gold Cordoba) | 9.7595 | 6.5131 | 3.9046 | 6.2131 |
| Niger Rep | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Nigeria | (Naira) | 32.9439o | 21.9992 | 13.1891 | 21.0061 |
| Norway | (Nor. Krone) | 10.8737 | 7.2612 | 4.3533 | 6.9334 |
| Oman | (Rial Omani) | 0.5766 | 0.385 | 0.2308 | 0.3676 |

| | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Pakistan | (Pak. Rupee) | 45.5266 | 30.4686 | 18.2687 | 29.098 |
| Panama | (Balboa) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Papua New Guinea | (Kina) | 1.4226 | 0.9499 | 0.5695 | 0.907 |
| Paraguay | (Guarani) | 2691.60 | 1797.4 | 1077.58 | 1716.25 |
| Peru | (New Sol) | 3.2592 | 2.1764 | 1.3048 | 2.0781 |
| Philippines | (Peso) | 41.2923 | 27.5741 | 16.5314 | 26.3293 |
| Pitcairn Is | (£ Sterling) | 1.00 | 0.6677 | 0.4003 | 0.6376 |
| | (NZ $) | 2.6455 | 1.7666 | 1.0591 | 1.6868 |
| Poland | (Zloty) | 33028.3 | 22054.3 | 13222.2 | 21058.7 |
| Portugal | (Escudo) | 258.086 | 172.345 | 103.325 | 164.564 |
| Puerto Rico | (US $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Qatar | (Riyal) | 5.4475 | 3.6377 | 2.1809 | 3.4736 |
| Reunion Is. de la | (F Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| Romania | (Leu) | 2463.45 | 1645.04 | 986.246 | 1570.70 |
| Rwanda | (Fr) | 212.66 | 142.023 | 85.1468 | 135.612 |
| St Christopher | (E Carr $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| St Helena | (£) | 1.00 | 0.6677 | 0.4003 | 0.6376 |
| St Lucia | (E Carr $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| St Pierre | (French Fr) | 8.5598 | 5.716 | 3.4269 | 5.458 |
| St Vincent | (E Carr $) | 4.0419 | 2.699 | 1.6181 | 2.5772 |
| San Marino | (Italian Lira) | 2470.16 | 1649.52 | 988.934 | 1575.06 |
| Sao Tome | (Dobra) | 359.280 | 239.92 | 143.839 | 229.089 |
| Saudi Arabia | (Riyal) | 5.6157 | 3.75 | 2.2482 | 3.5807 |
| Senegal | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Seychelles | (Rupee) | 7.7020 | 5.1432 | 3.0835 | 4.911 |
| Sierra Leone | (Leone) | 860.75 | 574.761 | 344.603 | 548.843 |
| Singapore | ($) | 2.3627 | 1.5777 | 0.9456 | 1.5065 |
| Slovakia | (Koruna) | 48.7890 | 32.5803 | 19.5327 | 31.1084 |
| Slovenia | (Tolar) | 199.90 | 133.489 | 80.0304 | 127.463 |
| Solomon Is | ($) | 4.8636 | 3.2477 | 1.9471 | 3.1011 |
| Somali Rep | (Shilling) | 3922.15 | 2619.13 | 1570.24 | 2500.89 |
| South Africa | (Rand) | 5.1561c | 3.4431 | 2.0642 | 3.2877 |
| | | 7.0493g | 4.7073 | 2.8222 | 4.4948 |
| Spain | (Peseta) | 205.486 | 137.221 | 82.2675 | 121.026 |
| Spanish Ports in N Africa | (Sp Peseta) | 205.486 | 137.221 | 82.2675 | 131.026 |
| Sri Lanka | (Rupee) | 73.2178 | 48.8933 | 29.3128 | 46.686 |
| Sudan Rep | (Dinar) | 46.4070 | 30.9896 | 18.5791 | 29.5905 |
| Surinam | (Guilder) | 2.6720 | 1.7843 | 1.0697 | 1.7037 |
| Swaziland | (Lilangeni) | 5.1561 | 3.4431 | 2.0642 | 3.2877 |
| Sweden | (Krona) | 11.8202 | 7.8932 | 4.7322 | 7.5369 |
| Switzerland | (Fr) | 2.1239 | 1.4182 | 0.8503 | 1.3542 |
| Syria | (£) | 30.6695 | 20.4801 | 12.2782 | 19.558 |
| Taiwan | ($) | 39.5477 | 26.4091 | 15.833 | 25.2169 |
| Tanzania | (Shilling) | 748.50 | 499.835 | 299.664 | 477.268 |
| Thailand | (Baht) | 37.8181 | 25.2541 | 15.1405 | 24.114 |
| Togo Rep | (CFA Fr) | 855.96 | 571.606 | 342.694 | 545.801 |
| Tonga Is | (Pa Anga) | 2.1063 | 1.4065 | 0.8432 | 1.343 |
| Trinidad/Tobago | ($) | 8.2335 | 5.4981 | 3.2963 | 5.2499 |
| Tunisia | (Dinar) | 1.5416 | 1.029 | 0.6169 | 0.9825 |
| Turkey | (Lira) | 36912.3 | 24649.3 | 14777.9 | 23536.5 |
| Turks & Caicos | (US $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Tuvalu | (Australian $) | 2.1063 | 1.4065 | 0.8432 | 1.343 |
| Uganda | (New Shilling) | 1534.45 | 1024.67 | 614.321 | 978.416 |
| Ukraine | (Karbovanets) | 18877.1b | 12606.8 | 7557.51 | 12036.7 |
| U A E | (Dirham) | 5.4995 | 3.6725 | 2.2017 | 3.5067 |
| United Kingdom | (£) | 1.00 | 0.6677 | 0.4003 | 0.6376 |
| United States | (US $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Uruguay | (Peso Uruguayo) | 7.0060 | 4.6784 | 2.8048 | 4.4672 |
| Vanuatu | (Vatu) | 175.501 | 117.196 | 70.2622 | 111.905 |
| Vatican | (Lira) | 2470.16 | 1649.52 | 988.934 | 1575.06 |
| Venezuela | (Bolivar) | 171.533 | 114.546 | 68.6736 | 109.375 |
| Vietnam | (Dong) | 16324.5 | 10901.2 | 6535.55 | 10409 |
| Virgin Is-British | (US $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Virgin Is-US | (US $) | 1.4975 | 1 | 0.5995 | 0.9548 |
| Western Samoa | (Tala) | 3.8475 | 2.5692 | 1.5403 | 2.4532 |
| Yemen (Rep of) | (Rial) | 26.845 | 17.9933 | 10.7674 | 17.161 |
| Yemen (Rep of) | (Dinar) | 0.6900 | 0.4607 | 0.2762 | 0.4399 |
| Yugoslavia | (New Dinar)(1) | | | | |
| Zaire Rep | (Zaire) | 218.53 | 145.93 | 87.4889 | 139.342 |
| Zambia | (Kwacha) | 1104.05 | 737.262 | 442.009 | 703.979 |
| Zimbabwe | ($) | 11.9385 | 7.9722 | 4.7796 | 7.6123 |

Special Drawing Rights March 24, 1994 United Kingdom £0.837699 United States $1.40019 Germany D Mark2.35484 Japan Yen149.125 European Currency Unit Rates March 25, 1994 United Kingdom £0.772643 United States $1.15526 Germany D Mark1.92296 Japan Yen121.116

Abbreviations: (a) Free rate; (b) Business rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Angolan Kwanza devalued by approx. 26%. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

The FT Guide to World Currencies table showing data for March 31st will be published in Tuesday, April 5th's edition.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Prices for Trading on [illegible] Pool purchase price £/MWh | Final Prices for Trading on [illegible] Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.38 | 18.40 | 18.40 |
| 0100 | -.- | 18.60 | 19.21 |
| 0130 | -.- | 18.79 | 21.40 |
| 0200 | 19.27 | 18.79 | 21.40 |
| 0230 | 19.27 | 18.79 | 21.40 |
| 0300 | 19.27 | 18.79 | 21.40 |
| 0330 | 17.38 | 18.79 | 21.40 |
| 0400 | 15.67 | 15.79 | 21.40 |
| 0430 | 10.93 | 10.89 | 13.30 |
| 0500 | 10.98 | 18.89 | 13.30 |
| 0530 | 10.84 | 16.30 | 16.30 |
| 0600 | 10.84 | 10.86 | 10.86 |
| 0630 | 10.84 | 10.62 | 10.62 |
| 0700 | 10.84 | 10.88 | 10.88 |
| 0730 | 18.84 | 10.86 | 10.88 |
| 0800 | 10.84 | 10.86 | 10.86 |
| 0830 | 10.86 | 10.61 | 10.61 |
| 0900 | 10.86 | 10.67 | 18.67 |
| 0930 | 10.89 | 10.88 | 10.88 |
| 1000 | 14.58 | 18.57 | 19.17 |
| 1030 | 14.95 | 16.88 | 19.28 |
| 1100 | 16.19 | 16.88 | 19.28 |
| 1130 | 17.66 | 18.72 | 21.32 |
| 1200 | 18.93 | 18.72 | 21.32 |
| 1230 | 17.66 | 18.72 | 21.32 |
| 1300 | 17.66 | 18.72 | 21.32 |
| 1330 | 17.66 | 16.88 | 13.28 |
| 1400 | 14.95 | 16.68 | 19.28 |
| 1430 | 13.41 | 10.88 | 18.28 |
| 1500 | 10.89 | 16.30 | 16.30 |
| 1530 | 18.84 | 16.89 | 10.89 |
| 1600 | 10.84 | 16.65 | 10.68 |
| 1630 | 10.84 | 10.67 | 16.67 |
| 1700 | 10.86 | 10.68 | 10.68 |
| 1730 | 10.86 | 19.88 | 19.28 |
| 1800 | 11.04 | 16.68 | 19.28 |
| 1830 | 11.04 | 20.86 | 23.46 |
| 1900 | 11.04 | 20.86 | 23.46 |
| 1930 | 16.82 | 20.86 | 23.46 |
| 2000 | 17.85 | 20.86 | 23.46 |
| 2030 | 18.77 | 19.71 | 22.31 |
| 2100 | 18.77 | 18.77 | 21.37 |
| 2130 | 17.85 | 18.25 | 20.86 |
| 2200 | 17.95 | 18.25 | 20.89 |
| 2230 | 16.82 | 16.69 | 19.28 |
| 2300 | 13.41 | 19.32 | 16.32 |
| 2330 | 10.85 | 10.87 | 10.57 |
| 2400 | 10.83 | 10.67 | 10.67 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool, the calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9:30am and 5:15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Prices for Trading on [illegible] Pool purchase price £/MWh | Final Prices for Trading on [illegible] Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 10.80 | 16.40 | 16.40 |
| 0100 | 10.88 | 10.88 | 18.11 |
| 0130 | 10.89 | 16.68 | 19.11 |
| 0200 | 17.68 | 10.88 | 19.11 |
| 0230 | 16.93 | 16.68 | 19.11 |
| 0300 | 17.68 | 18.68 | 19.11 |
| 0330 | 17.66 | 16.68 | 19.11 |
| 0400 | 18.93 | 16.68 | 18.11 |
| 0430 | 14.95 | 16.32 | 16.32 |
| 0500 | 14.74 | 10.88 | 18.88 |
| 0530 | 10.88 | 16.65 | 10.65 |
| 0600 | 10.88 | 10.65 | 10.65 |
| 0630 | 15.75 | 16.38 | 10.38 |
| 0700 | 15.16 | 16.88 | 19.32 |
| 0730 | 18.47 | 16.93 | 19.36 |
| 0800 | 18.21 | 16.93 | 19.36 |
| 0830 | 16.48 | 17.19 | 19.62 |
| 0900 | 18.43 | 17.29 | 19.73 |
| 0930 | 18.49 | 17.56 | 19.99 |
| 1000 | 18.50 | 18.19 | 20.62 |
| 1030 | 18.49 | 18.19 | 20.62 |
| 1100 | 18.49 | 18.19 | 20.62 |
| 1130 | 18.48 | 18.19 | 20.62 |
| 1200 | 18.48 | 18.19 | 20.62 |
| 1230 | 18.48 | 18.19 | 20.62 |
| 1300 | 18.47 | 18.16 | 20.62 |
| 1330 | 18.20 | 18.16 | 20.62 |
| 1400 | 16.03 | 17.44 | 19.87 |
| 1430 | 16.02 | 17.29 | 18.73 |
| 1500 | 16.02 | 16.49 | 18.49 |
| 1530 | 16.02 | 16.49 | 18.49 |
| 1600 | 16.02 | 17.44 | 19.87 |
| 1630 | 16.03 | 18.19 | 20.62 |
| 1700 | 16.03 | 18.19 | 20.63 |
| 1730 | 16.03 | 21.18 | 23.80 |
| 1800 | 16.02 | 18.23 | 20.67 |
| 1830 | 15.72 | 18.24 | 20.69 |
| 1900 | 15.70 | 21.18 | 23.63 |
| 1930 | 15.75 | 21.16 | 23.60 |
| 2000 | 15.73 | 18.19 | 20.82 |
| 2030 | 18.19 | 17.29 | 18.73 |
| 2100 | 18.19 | 17.24 | 19.67 |
| 2130 | 16.02 | 17.24 | 19.67 |
| 2200 | 16.02 | 18.43 | 16.43 |
| 2230 | 15.70 | 18.39 | 16.39 |
| 2300 | 16.63 | 19.32 | 16.33 |
| 2330 | 10.83 | 16.30 | 16.30 |
| 2400 | 10.81 | 10.84 | 10.64 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool, the calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9:30am and 5:15pm Monday to Friday.

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# WORLD BOND MARKETS: This Week

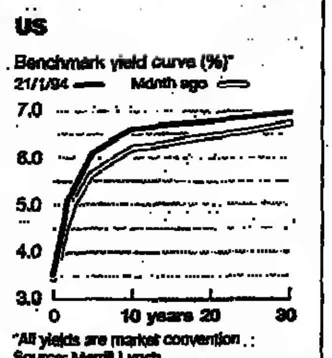
## NEW YORK — Patrick Harverson

The market will opeo this week with investors in an unsettled mood. After last week's initially impressive display of fortitude when tha Federal Reserve raised short-term interest rates another quarter of a point to 3.5 per cent, Wall Street had hoped that the worst of the recent sell-off was over.

Unfortunately, bond prices were unable to build upon the big gains they earned in the wake of the Fed's move. By Friday, the yield on the benchmark 30-year bond had climbed above 7 per cent for the first time in 10 months as everyone started worrying about the next Fed tightening.

Over the coming days, trading is likely to be dominated by the March emplnyment report, which is due to be released on Friday. Just to make matters worse, Friday is a national holiday, so the cash market will be closed for the day. Without the opportunity to respond to the employmant data immediately, trading during the first four days of this week is likely to be jittery.

Analysts are expecting the March jobs report to show an increase in noo-farm payrolls of about 200,000, and they foresee no change in the unemployment rate, which was last recorded at 6.5 per cent. With market sentiment so weak, an increase in payrolls substantially larger than 200,000 could prompt a fresh round of heavy selling.




*All yields are market convention
Source: Merrill Lynch

## LONDON — Philip Coggan

Gilis will struggle to find support this week after another battering from investors. Last week's inflation figures, while not disastrous, failed to provide the boost the market desperately needed.

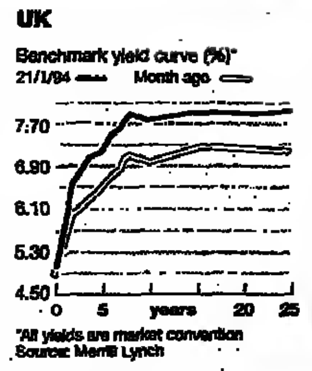
While Mr Kenneth Clarke, chancellor of the exchequer, is holding his monthly monetary meeting with Mr Eddie George, governor of the Bank of England, on Wednesday, hopes are fading that they will agree to a rate cut. The inflation figures were simply not good enough, especially as the authorities were perceived to have lost credibility with the timing of their February cut.

Furthermore, sterling has been extremely weak, and a rate cut, which might easily be perceived as political, would be poorly received by currency traders.

Following the exampla of the US, the markets are already looking ahead to the time when the authorities will hava to increase rates. Prices in the futures market imply higher rates by June.

Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), thinks this pessimism on rates is overdone. "The gilt market is fundamentally good value but in technical terms it is looking pretty awful," he says.

With no economic statistics of note, and with Easter approaching, the market is unlikely to find it easy to rally this week.




*All yields are market convention
Source: Merrill Lynch

## FRANKFURT — Conner Middelmann

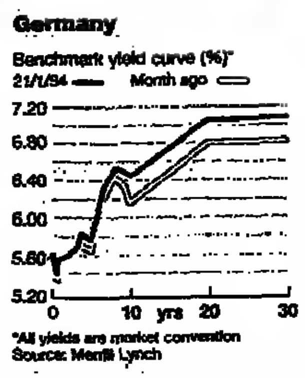
Although German bonds ended Friday on a firmer note after a late short-squeeze in the futures pits, traders are forecasting another volatile week ahead.

With key money supply and inflatioo numbers out of the way for now and the Bundesbank's central bank council away for its Easter break, the market will have little fundamental news to focus on, leaving it vuloerable to further turbulence in the international bond markets.

Meanwhile, after Bundesbank president Mr Hans Tietmeyer's latest affirmation that booming M3 money supply growth cannot be ignored, "the focus will be on how the Bundesbank will act after the M3 numbers," said Mr Klaus Baader, an economist at Lehman Brothers. M3 grew at an annualised rate of 17.6 per cent in February, well above its 4 to 6 per cent target.

However, the Bundesbank is expected to continue lowering its rate for securities repurchase agreements. It fell eight basis points to 5.80 per cent last week.

In spite of last week's encouraging inflation data and recent moderate wage settlements, investors remain cautious amid fears of further US interest rate tightening. "There's a significant amount of liquidity around that has to return to the market – but when that will happen, no one knows," sighed a dealer.




*All yields are market convention
Source: Merrill Lynch

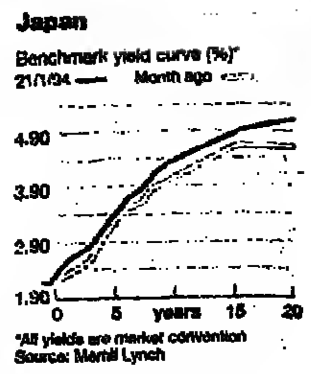
## TOKYO — Emiko Terazono

While tradiog for March settlement has ended for the bond market, most investors are expected to remain cautious in committing funds as the spate of economic data announced this week is expected to reconfirm the bottoming of the economy.

Industrial production data, scheduled to be released on Wednesday, are expected to show a month-on-month rise for the second consecutive mooth. BZW in Tokyo expects demand from sectors including electric machinery and non-ferrous metals to support February industrial output. It predicts production figures to rise 2 per cent from the previous month, which translates into a 2.6 per cent fall from the same month last year, the smallest decline since March last year.

Household expenditure for January is also forecast to show firm month-on-month and year-on-year rises, due to increased spending on furniture and household goods and a rise in medical care and transport spending.

The figures come as government bonds face volatility for technical reasons. Trading of the No 164 10-year bond has risen on expectations that it will replace the No 157, the benchmark since November. Market participants expect an announcement of the next 10-year bond auction this week, which may prompt a sell-off in the No 157 and signal a benchmark change.




*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Conner Middelmann

# Fears of rising inflation rattle gilts

Amid continued weakness in global bond markets, UK government bonds have continned to post the sharpest losses, rattled by fears that rising inflation pressures may put an end to monetary easing.

Indeed, after last week's stronger than expected retail prices data, the gilt market is increasingly pricing in a rise in short-tarm rates, causing yialds at the long end of the curve to soar. Moreover, weakness in global bond markets, where traders are worrying about further US interest rate tightening and the slow pace of German easing, is contributing to gilts' decline.

"What is happening in gilts largely magnifies what is happening elsewhere," says Mr Graham McDevitt, bond strategist at market analysts IDEA.

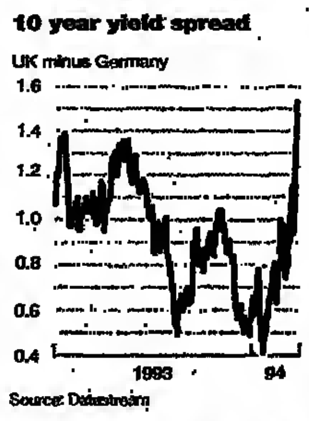
According to Salomon Brothers' World Government Bond Index, global bonds have shed 3.01 per cent in the year to date while UK bonds have fallen by 7.18 per cent in the same period. More dramatically, gilts' 10-year yield spread over German bunds has widened from a low of 49 basis points in late January to 155 basis points late on Friday.

At the short end, the June three-month sterling interest rate future on Liffe is now discounting three-month rates at 5.57 per cent by mid-September and 5.87 per cent by mid-December. Three-month money currently trades around 5.30 per cent, just above the 5.25 per cent base rate.

"What we're seeing is a burst of collective neurosis after the RPI data," says Mr Ian Shepherdson, UK economist at Midland Global Markets. "To think there's a snip of a chance that they'll put up rates is absurd – the market is losing all track of reality."

The easing scenario is partly complicated by political considerations, with local elections in May and European elections in June. "Rate cuts around that tima would look politically motivated and would hurt the market," says one gilts trader.

But traders have been especially worried by a recent rise in average earnings and by the February retail prices index.




Source: Datastream

The RPI was higher than expected, with a headline rate of 2.4 per cent and an underlying rate of 2.8 per cent, against market expectations of around 2.2 per cent and 2.6 per cent respectively.

"While we wouldn't see February's figures as radically altering the outlook for inflation, they do make an early cut in interest rates unlikely," argues Mr Darren Winder, UK economist at S. G. Warburg.

But while most observers agree that the inflation data does not point to an imminent price explosion and are likely to ease back in the summer, the market sees the US example "as a taste of things to come", says Mr Nigel Richardson, head of bond research at Yamaichi International. The US Federal Reserve has raised its Fed Funds rate twice in the past two months to nip simmering inflation pressures in the bud and is expected to strike again.

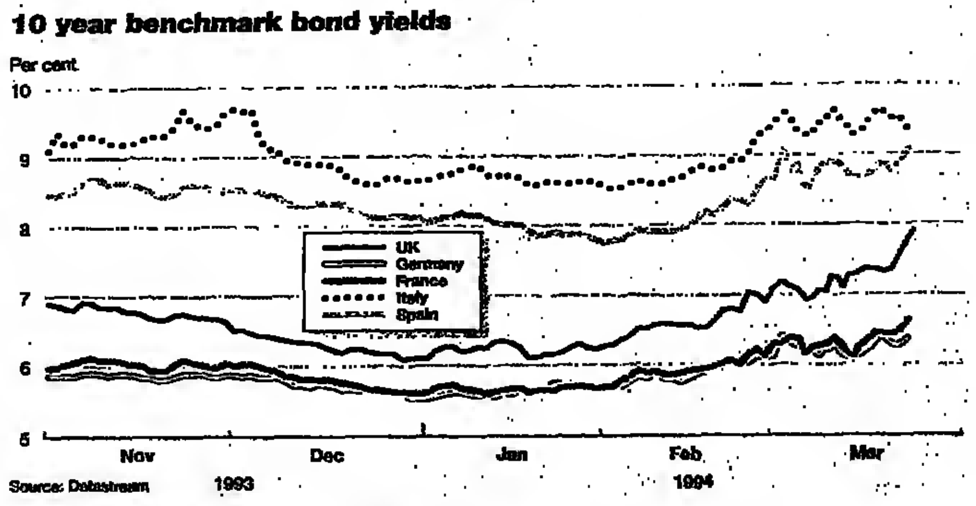
Most market particlpants feel tha sell-off has been vastly overdone, but few are willing to predict when it will end – partly because, even at these levels, gilts elicit little buying interest. "We have the curious situation where investors, who usually like to buy on dips, say they'll buy when the market goes up," says Mr Richardson.

According to IDEA's Mr McDevitt, there is currently no point in trying to determine the bottom of this market. "You have to let sentiment rule," he says, adding that many investors are holding long gilt positions which they hedge by selling futures against them.

In spite of scant cash selling, this has caused the futures market to drag cash prices down further, triggering a vicious circle. "The lower we go, the more stop-losses are triggered," says Midland's Mr Shepherdson.

Nevertheless, most dealers expect Wednesday's auction of £2.5bn floating-rate gilts to go relatively smoothly, if only because the short end of the yield curva has cbeapened so much in receot days. The gilts mature in 1999 and will pay a coupon of the three-month London inter-bank bid rate less one-eighth.

"Investors who remain convinced that UK rates have to move higher . . . will find the issue attractive," says Mr Ifty Islam, fixed-income strategist at Merrill Lynch. But even for investors who expect to see further rate cuts, "the issue is likely to prove an attractive hedge to their current positions at the short end of the yield curve, just in case rates do go up."




Source: Datastream

**INTEREST RATES AT A GLANCE**

| | USA | Japan | Germany | France | Italy | UK |
|---|---|---|---|---|---|---|
| Discount | 3.00 | 1.75 | 6.25 | 7.00[1] | 7.50 | 5.25[2] |
| Overnight | 3.38 | 2.16 | 5.89 | 6.18 | 8.25 | 6.25 |
| Three month | 3.56 | 2.31 | 5.69 | 6.19 | 8.37 | 5.19 |
| One year | 4.35 | 2.40 | 5.38 | 5.90 | 8.37 | 5.60 |
| Five year | 6.06 | 3.65 | 6.67 | 6.08 | 9.43 | 7.20 |
| Ten year | 6.57 | 4.12 | 6.40 | 6.82 | 9.63 | 7.81 |

(1) France-Repo rate. (2) UK Base rate. Source: Reuters.

**US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%**

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 108-01 | 107-19 | -0-08 | 108-13 | 107-16 | 529,704 | 354,214 |
| Sep | 107-03 | 106-23 | -0-07 | 107-15 | 106-21 | 3,529 | 42,016 |
| Dec | - | 106-05 | -0-07 | 106-30 | 106-05 | 17 | 1,177 |

**UK GILTS PRICES**

| | Notes | Price £ | Wk % +/- | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| **Shorts" (Lives up to Five Years)** | | | | | | | |
| Exch 13½pc 1994 | | 100¾ | -.1 | 1,100 | Ap27 Oc27 | 21.3 | 1267 |
| Treas 10pc Ln 1994‡‡ | | 101 | -.1 | 1,900 | Ja9 De9 | 2.11 | 1284 |
| Exch 12½pc 1994 | | 103 | -.2 | 1,240 | Fe22 Au22 | 17.1 | 1263 |
| Treas 9pc 1994‡‡ | | 102½ | -.1 | 1,900 | My17 Nv17 | 11.10 | 1345 |
| 12pc 1995 | | 105 | -.4 | 2,350 | Ja25 Jy25 | 20.12 | 1294 |
| [illegible] | | | | | | | |
| Funding 3½pc '99-4 | | 75 | -2.8 | 543 | Ja14 Jy14 | 8.12 | 1274 |
| Conversion 9½pc 2004 | | 111¼xd | -2.8 | 3,412 | Ap25 Oc25 | 21.3 | 1246 |
| Treas 6¾pc 2004‡‡ | | 93 | -2.7 | 3,250 | My26 Nv26 | - | - |
| 6¾pc 2004 A | | 93 | -2.7 | 3,000 | My26 Nv26 | - | - |
| Conv 9½pc 2005 | | 111xd | -2.9 | 4,842 | Ap18 Oc18 | 14.3 | 1247 |
| Treas 12½pc 2003-5 | | 128 | -2.6 | 2,200 | My21 Nv21 | 15.10 | 1295 |
| [illegible] | | | | | | | |
| **Index-Linked** | (b) | | | | | | |
| Treas 2pc '94 | (102.9) | 137½ | 8.1 | 500 | My16 Nv16 | 11.10 | 5070 |
| 2pc '96 | (67.9) | 198 | -.7 | 1,200 | Mr16 Se16 | 7.2 | 1313 |
| 4⅝pc '98‡‡ | (135.6) | 108xd | -1.8 | 800 | Ap27 Oc27 | 21.3 | - |
| 2½pc '01 | (78.3) | 168 | -1.4 | 1,500 | My24 Se24 | 15.2 | 1316 |
| 2½pc '03 | (78.8) | 164 | -1.4 | 1,050 | My20 Nv20 | 14.10 | 1317 |
| [illegible] | | | | | | | |
| **Other Fixed Interest** | | | | | | | |
| [illegible] | | | | | | | |
| 13pc '97-2 | | 109½ | -1.8 | 315 | Ap1 Oc1 | 28.8 | 1428 |
| Hydro Quebec 15pc 2011 | | 148 | -4.4 | 40 | My31 Nv30 | 27.10 | - |
| Leeds 13½pc 2006 | | 140¼ | — | 40 | Ap1 Oc1 | 3'93 | 3148 |
| Liverpool 3½pc Irred | | 40½ | — | 5 | 1JaApJyOc | 1.8 | 3169 |
| LCC 3pc '20 Aft | | 36 | — | 26 | 1MrJeSeDe | 1.5 | - |
| Manchester 11½pc 2007 | | 126 | — | 6 | Ap25 Oc25 | 30.3 | 3275 |
| Met. Wtr. 3pc 'B' | | 72½ | — | 25 | Mr1 Se1 | 1.8 | 3361 |
| N'wide Anglia 3⅞pc 2021 | | 141 | — | 60 | Ja30 Jy30 | 1'93 | 3466 |
| 4⅛pc IL 2024 | | 138 | — | 50 | - | 20.7 | - |
| Utd Mex States 16½pc 2008 | | 148 | — | 50 | Mr1 Se1 | 27.8 | - |

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.



International / Antonia Sharpe and Tracy Corrigan

# Confidence in Latin America shaken

The turmoil in Latin American markets last week following the assassinahon in Mexico of Mr Luis Donaldo Colosio, the presideotial candidate of the ruling Institutional Revolutionary party, may further test the confidence of investors in the so-called emerging markets.

After a strong performance last year, emerging debt markets ran out of steam at the beginning of 1994 and went into retreat.

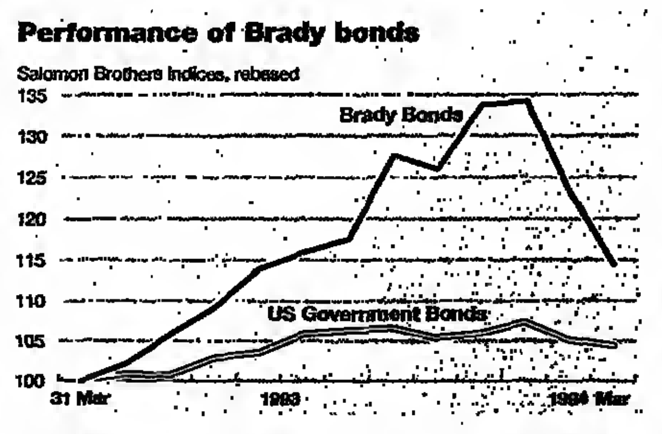
Yield spreads of Latin American bonds over US Treasuries had already deteriorated this year, due to fears of rising US interest rates. According to Salomon Brothers' Brady bond index, investors made a return of 43.87 per cent last year. Since the start of this year, the index has shown a negative return of 14.48 per cent.

Investors had been bargain-hunting for Latin American bonds earlier in the week, in the belief that the market was looking cheap, hut news of the assassinatioo on Thursday seot prices of most Latin American bonds tumbling.

According to traders, most activity was in liquid benchmark issues. For example, the yield spread on the Republic of Argentina's $1bn offering of 10-year global bonds widened from 300 basis points over US Treasuries before the assassination to more than 350 basis points immediately after the news.

The spread has since narrowed to around 320 basis points and some traders expect the spread to improve further as the market regains its poise.

By contrast, the spreads on Latin American Eurohonds denominated in D-Marks barely moved, mainly because the majority are owned by long-tarm investors. The spread on Argentina's DM1bn offering of five-year Enrobonds, which had bean launched last September at a yield spread of 250 basis points over German government notes, stayed at around 208 basis points.




Several factors are likely to help stabilise Latin American bond prices over the coming weeks, ranging from the $6bn credit line from the US and Mexico's admission into tha Organisation of Economic Co-operation and Development, the first Latin American nation to enter this influential club of industrialised democracies. Standard & Poor's swift affirmation of its BB+ rating on Mexico's long-term dollar debt and the positive outlook on the rating has also given the market some support.

Nevertheless, syndicate managers say the volatility in spreads over the last week has made tt virtually imposaible for Latin American borrowers to gain access to the market at the spreads they were able to command during last year'a hull run. Mr Keith Vincent, head of emerging markets syndicate at Bankers Trust in London, says that although deals can still be done, it is difficult to get the best pricing and distribution. "At this moment, trying to match previous benchmarks is not possible."

In addition, banks which won mandates from Latin American borrowers up to four months ago are having to go back to their clients to renegotiate the terms and structure of the planned deals, due to the acute price movements in the secondary market. More often than not, issuers which are not in a hurry for the cash are choosing to delay fundraising until conditions improve.

On Friday, Petrobras, Brazil's state oil monopoly, announced that it was delaying the launch of a $150m issue of Eurobonds denominated in D-Marks, which had been planned for the end of March.

But why has the assassination knocked not only the Mexican market, but other Latin American markets, and even some apparently unassociated emerging markets?

The fact is that Mexico, because of its strong association with the US and its relatlvely advanced economic davelopment, is viewed aa a benchmark for the rest of Latin America.

"Mexico is seen as the *crème de la crème*, even though tt doesn't yet have an investment grade rating," says Mr Michael Brook, a director of West Merchant Bank. "[The assassination] has cast a long shadow."

Coming so soon after the rebellion in Chiapas, the assassination was seen by some investors as showing that political risk in Mexico has deteriorated, and the likelihood of an investment grade rating this year may have receded, according to Mr Brook. "Psychologically, the reaction is 'if this can happen in Mexico, what could go wrong in Venezuela or in Russia?'" said one trader in secondary market debt.

Indeed, Venezuelan bonds were the worst performars among Latin American Brady bonds last week, slipping 5 per cent compared with 3¼ per cent for Mexico on Salomon's Brady bond index.

Mexican par bonds ended the week at about 70 cents on the dollar, having dropped as low as 64 cents, following the assassination.

Paradoxically, the markets may even, in the medium term, be in better shape now. "The way I see the markets, wa are now back at levels of a year ago. This is fair value. The rest [of the rally] was indiscriminate money," said Mr Marc Wenhammar, head of fixed income at F&C Emerging Markets.

**NEW INTERNATIONAL BOND ISSUES**

| Borrower | Amount m. | Maturity | Coupon % | Price | Yield % | Launch spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Mitsubishi Oil Co.(a)§ | 250 | Apr.1998 | 1.25 | 100.00 | - | - | Yamaichi Intl.(Europe) |
| Barings(c)‡ | 150 | Mar.2001 | (d,h) | 99.44R | - | - | Barings/ CS First Boston |
| Sth.Australian Govt.Fin.Auth.‡ | 500 | Apr.1996 | (f) | 100.00 | - | - | Swiss Bank Corp. |
| Banco Bamerindus do Brasil★‡ | 50 | Apr.1996 | (g) | 100.00 | - | - | Paribas Capital Markets |
| Comit Finance (Jersey)@‡ | 50 | Mar.2004 | (h) | 99.375 | - | - | B.Commerciale Italiana |
| Swedish Export Credit(n) | 75 | Apr.1997 | zero | 99.75R | - | - | Goldman Sachs Intl. |
| SCCMT1 (Series 1994-2)(p) | 940 | Apr.2006 | (q)# | (q)R | - | (q) (5⅞%-04) | Merrill Lynch Intl. |
| SCCMT1 (Series 1994-2)(r) | 60 | Apr.2006 | (r)# | (r)R | - | (r) (5⅞%-04) | Merrill Lynch Intl. |
| **D-MARKS** | | | | | | | |
| Ebara Corp.(b)§ | 160 | Mar.1998 | 1.00 | 100.00 | - | - | Dresdner Bank |
| European Investment Bank | 1bn | Apr.2004 | 6.50 | 101.65 | 6.273 | - | Deutsche Bank |
| **YEN** | | | | | | | |
| Panasonic Finance Netha.(l) | 10bn | Jul.1997 | (m,h) | 100.00 | - | - | IBJ International |
| Misaho [illegible] American Corp.‡ | 10bn | Jun.1998 | (o) | 100.20 | - | - | Sanwa International |
| **FRENCH FRANCS** | | | | | | | |
| Toyota Motor Credit Corp. | 840 | Apr.1995 | (e) | 100.00 | - | - | Banque Paribas |
| Alcatel Alsthom(i)§ | 5bn | Jan.2004 | 2.50 | (i) | - | - | Société Générale |
| **CANADIAN DOLLARS** | | | | | | | |
| Rabobank Nederland(h) | 150 | Dec.1999 | 7.125 | 99.233R | 7.307 | +30 (5¼%-99) | BZW |
| **ITALIAN LIRE** | | | | | | | |
| Deutsche Bank Finance | 500bn | May.2004 | zero | 42.15R | 9.024 | - | Deutsche Bank London |
| KfW International Finance | 200bn | Apr.1999 | 8.375 | 100.00 | 8.174 | - | Deutsche Bank London |
| **ECUS** | | | | | | | |
| Crédit Local de France | 150 | Apr.2001 | 6.25 | 99.12R | 6.410 | - | Crédit Lyonnais |
| General Electric Capital Corp. | 100 | Apr.1999 | 6.125 | 99.59R | 6.223 | - | CCF/Merrill Lynch Intl. |
| Abbey Natl.Treasury Services | 100 | Apr.1998 | 6.25 | 98.545R | 6.601 | +25 (5⅛%-98) | Société Générale |
| **SWISS FRANCS** | | | | | | | |
| Asfinag★ | 150 | May.1999 | 4.50 | 102.125 | 4.022 | - | Swiss Bank Corp. |

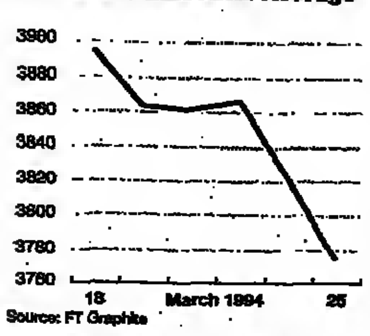
Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ◊With equity warrants. ★Unlisted or private placement. #Semi-annual coupon and yield. R: Fixed re-offer price. a) Denom: $10,000 +2 wrts. Ex price Y1003. FX: 107.30Y/$Fr. b) Denom: DM5000 +5 wrts. Ex price: Y1615. FX: 63.95Y/DM. c) Callable and puttable on any coupon date from Mar.98 at par. d) 3-mth Libor +¼%. e) 7.83% x N/360; N is days 3-mth Pibor falls within declining range (6.35-5.60% to 5.65-4.25%). f) 3-mth Libor flat. g) 3-mth Libor +3½%. h) Short 1st coupon. i) Issue price: FFr600. Redemption price: FFr1096. Conv ratio: 1 for 1. Callable from 1/1/98 at 6½% yld subject to share price trading at 110% of call price for specified period. j) Fungible with $100m launched 22/2/94. Plus accrued. k) 6-mth Libor -⅛%; min 5%. l) Callable on 25/7/96 at par. m) 3.15% until 25/7/96 and 3.6% thereafter. n) Redemption formula: 100% + 100 x (S GSCI Excess Return - 400)/400. GSCI: Goldman Sachs Commodity Index. o) 3-mth Libor +0.275%; min 2.7%, max 3% to 30/4/94 and max 3½%, no min thereafter. p) Standard Credit Card Master Trust One. q) Class A. Priced later at 67-70bp over Treasuries. r) Class B. Priced later at approx 90bp over Treasuries. Note: Yields are calculated on ISMA basis.

# EQUITY MARKETS: This Week

## NEW YORK — Frank McGurty

### Wall Street's list of woes grows longer

Dow Jones Industrial Average




Source: FT Graphite

While a second rise in short-term interest rates was never an appealing prospect for Wall Street, there was a certain comfort to be drawn from the predictability of the Federal Reserve last week. Unfortunately, the Fed's seemingly inevitable move, which came as expected on Tuesday, failed to dispel the uncertainty which has depressed share prices since monetary policy began to shift in early February.

Indeed, the sources of the market's unease seem to have multiplied. Mexico's political stability, President Clinton's political standing, tensions with North Korea and higher commercial lending rates are now competing with rising bond yields to top the list of Wall Street's worries.

As a consequence, analysts say the odds are poor that stocks will make an early recovery from last week, when the bellwether Dow industrial index showed a net decline of 120 points.

"In the near term, the market is stuck at roughly the current levels," says Mr Steven Einhorn, equity strategist at Goldman Sachs in New York. He sees the correction in the "ageing bull market" (now down 5.1 per cent from its peak of 3,978 on January 31) continuing until it becomes apparent that tha slide in the bond market is complete.

The persistent influence of bonds on share prices was underlined on Friday. A relatively tranquil session on the NYSE ended in a rout when the yield on the benchmark 30-year government bond climbed above tha 7 per cent barrier in the late afternoon. The return on the long bond has stayed below that level for the past 10 months.

The sell-off in stocks was all the more discouraging because the immediate impact of the Fed's tightening was mild. Earlier fears of a sharp downturn seemed exaggerated after Wednesday's close. But the sense of relief quickly evaporated with Thursday's 48-point plunge, set off by the shot which killed the leading candidate for the Mexican presidency.

Perhaps the best hope of a rally this week lies in the approach of a long holiday weekend, which traditionally brings improved share prices.

This year, however, the Easter calendar raises an unusual set of circumstances which could very well work against the market. Although trading screens will stay quiet on Friday, the wheels of the federal bureaucracy will churn out the important economic news of the month – the March employment figures.

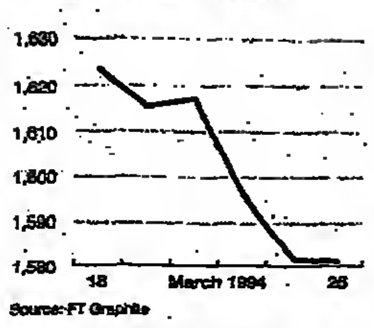
Mr Anthony O'Bryan, market strategist at A. G. Edwards of St Louis, expects investors to be anticipating Friday's figure earlier in the week. "There will be more people trying to protect themselves against a bad number than people trying to capitalise on a good one," he fears.

The consensus forecast of Wall Street analysts is a 200,000 gain in non-farm payrolls. Anticipation of a stronger than expected reading could rattle the inflation-sensitive Treasury market, and stocks are likely to follow.

## LONDON — Terry Byland

### Painful spell ahead for fund managers

FT-SE-A All-Share Index




Source: FT Graphite

This week will bring some painful experiences for fund managers as they face up to the outcome of the first trading quarter of the year. The fall of more than 9 per cent on the FT-SE 100 index over the quarter, and huge losses in government bonds, is bad enough; but the percentage loss on equities rises to nearly 12 points for those who bought at the market peak at the beginning of February.

All these factors add to the agony caused by the underlying worries about interest rate trends and the sudden lurch downwards on Wall Street on fears of turmoil in Latin America.

In market terms, these prospects have already been reflected in an absence of support at almost any price, although the underlying sentiment in equities is less negative than the index statistics might suggest.

The big funds are simply not going to play until after Easter and the closing of investment ledgers on the first quarter of 1994, so share prices remain at the mercy of the global bond markets; and last week brought the currency markets back on to the scene. There is little point in looking for a break in the clouds before Good Friday.

The positive view on the stock market is that rising corporate dividend and earnings trends are balancing out the swiftly fading hopes for that next cut in base rates, on which optimism was founded at the beginning of this year. At some stage, equities are going to make a convincing response to this view. But when?

The stock market bounced successfully around the FT-SE 100 3,100 mark last week, but so it did around 3,200 on several previous occasions. Unfortunately, even after the market survives Easter, it still has to face the political future implied by the government's low standing in the opinion polls, the impending increases in personal taxation and the forthcoming local and European elections.

However, Kleinwort Benson Securities believes that, given that the next UK general election could be delayed until April 1997, political fears may have been overdone; four years is a long time in politics.

Bargain hunters abound in these troubled conditions, and it is no surprise that they should have concentrated on sectors inviting attention in terms of prospective yields. The stress is on prospective rather than historic performance, with dividend forecasts taken seriously.

Inevitably, this puts the focus on sectors badly out of favour. Pharmaceuticals collapsed last year but are showing an increase in dividend growth forecasts. Glaxo, which was badly hit again last week as Ciba-Geigy threatened a challenge to Zantac, Glaxo's anti-ulcer drug, is unlikely to languish for long.

Water stocks have taken a beating this year but are returning to favour as investors begin to prefer dividend growth stocks to fixed interest securities. Anglian and Wessex Water have been targeted by NatWest Securities.

## OTHER MARKETS

### FRANKFURT

BHF Bank reports on Wednesday, with analysts looking for a rise in operating profits of around 20 per cent. Hoare Govett expects that further growth in profits this year will not be fully matched at the earnings level after the bank's recent rights issue. Full-year figures come from Deutsche Bank on Thursday. The broker expects a 19 per cent rise in pre-tax profit, after extraordinary items, in spite of the bank's steep increase in allocations to risk provisioning.

### ZURICH

Ciba, which last week launched an application to produce a low-cost version of Glaxo's Zantac ulcer medication in the US, is due to outline full-year sales and profit figures tomorrow. The chemicals and pharmaceuticals reiterated its forecast of an increase in net income for the full year when it unveiled an 8.3 per cent upturn in sales in the third quarter. Jelmoli, the leading department store group, is due to report tomorrow, with analysts expecting net profits up almost 200 per cent. Forbo, the floor and wall coverings group, reports today and Bobst, the packaging machinery group, produces 1993 figures tomorrow, as does Lindt & Sprungli, the fine-chocolate group.

### AMSTERDAM

Full-year figures are due from ING tomorrow. The financial services group predicted a "moderate increase" in full-year profits per share when it reported an 11 per cent increase in net profit for the first nine months. Aegon, the Netherlands' second largest insurance company, reports on Thursday. Consensus estimates are for a 5 per cent fall in net annual profits.

### MILAN

The country will be spending a second day at the polls today. But even after the outcome of the election becomes known, many analysts expect it could be several weeks before the final composition of a new coalition government becomes clear. Rinascente, Italy's largest retailer, reports today.

### TOKYO

Investors are bracing themselves for a volatile week as the business year ends on Thursday. Companies are expected to continue profit-taking to support dwindling profits while the prospect of higher interest rates following the plunge in the bond markets is undermining confidence.

## RISK & REWARD

# Challenge to SEs from futures on individual shares

The world's stock exchanges, which have been slow to jump into the derivatives fray, may find a fresh challenge at their flanks if London's Liffe and the Sydney Futures Exchange are successful in their plans to launch futures contracts on individual shares.

Trading futures on individual equities is specifically prohibited in the US under a 12-year-old accord between the Securities and Exchange Commission, the US securities regulator, and the Commodity Futures Trading Commission, the primary futures regulator.

The SEC and CFTC decided to prohibit these instruments in 1982, while allowing the creation of futures on broad-based stock indices. The SEC feared that futures on individual shares would open the door to price manipulation.

However, institutional money managers' appetite for ways to allocate assets efficiently and to leverage investments may force US regulators to rethink their position if overseas equity futures contracts are successful.

Mr Les Hosking, chief executive of the Sydney Futures Exchange, believes the time is right for futures on a limited number of well-capitalised companies whose shares are liquid and actively traded. "These products would be an alternative to buying and selling individual shares. Futures are cheaper, more efficient and allow more leverage," he says.

Mr Hosking has floated the idea of trading futures on tha shares of three of Australia's biggest companies – mining giant BHP, News Corporation and the National Australia Bank – with the Australian Securities Commission. So far, he says, the regulator "hasn't raised issues that would indicate rejection".

In London, Mr Daniel Hodson, Liffe's chief executive, said similar products on a handful of UK stocks are under preliminary consideration.

If futures on individual equities catch on, they will only be suitable for the largest companies in each country. Mr Hosking says that if his three initial share futures contracts are a success, he could only expand the concept to the top 10 capitalised stocks in Australia.

However, there is nothing in Australian law to stop the SFE from trading futures on shares in companies like General Motors or reaching into emerging markets. On the US side, "The CFTC and the SEC might have something to say about US customers using the products," Mr Hosking says.

Fortunately for the SFE, the Australian companies being considered for futures contracts have not baulked at the idea. While their blessing is not technically necessary, their endorsement is important, Mr Hosking says. He has spoken to all three and says they see benefits from having futures contracts on their stock.

Analysts say that for a select group of shares, a futures contract would offer benefits over existing options products. Liquidity in stock options is often spread over a wide variety of strike prices and expiration dates. Futures on shares could offer a deeper, cheaper market, with liquidity centralised on quarterly expirations.

The share futures being considered by the SFE would be settled in cash, rather than the shares themselves, making them more attractive from an administrative standpoint than share-settled options.

Proponents say having futures on a few top companies in every country would help investors focus their portfolios. Currently many fund managers arrange international equity exposure by dealing in stock index futures contracts from a variety of countries. Often the composition of these indices is flawed, or fails to match investors' objectives. Individual share futures would offer an alternative.

**Laurie Morse**

## INDICES AT A GLANCE

| | Closing price | Percentage Change: Over week | On 12 months | Since Jan 1 | 12 month High | | 12 month Low | | 1994 High | | 1994 Low | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3,129.0 | -2.8 | +9.7 | -8.4 | 3,520.30 | 2/2/94 | 2,786.30 | 6/5/93 | 3,520.30 | 2/2/94 | 3,121.70 | 24/3/94 |
| Dow Jones Ind. | 3,774.73 | -3.1 | +9.0 | +0.5 | 3,978.36 | 31/1/94 | 3,370.81 | 2/4/93 | 3,978.36 | 31/1/94 | 3,756.60 | 3/1/94 |
| Nikkei | 19,836.48 | -3.1 | +6.7 | +13.9 | 21,148.11 | 13/9/93 | 16,078.71 | 29/11/93 | 20,677.77 | 16/3/94 | 17,369.74 | 4/1/94 |
| Dax | 2,130.06 | -1.2 | +28.5 | -6.1 | 2,267.98 | 3/1/94 | 1,603.04 | 24/5/93 | 2,267.98 | 3/1/94 | 2,020.33 | 2/3/94 |
| CAC 40 | 2,136.62 | -3.8 | +6.8 | -6.7 | 2,355.93 | 2/2/94 | 1,835.72 | 17/5/93 | 2,355.93 | 2/2/94 | 2,136.62 | 2/3/94 |
| Banca Com. Ital. | 669.73 | -0.7 | +37.4 | +7.2 | 689.03 | 18/2/94 | 475.01 | 31/3/93 | 689.03 | 18/2/94 | 588.85 | 10/1/94 |

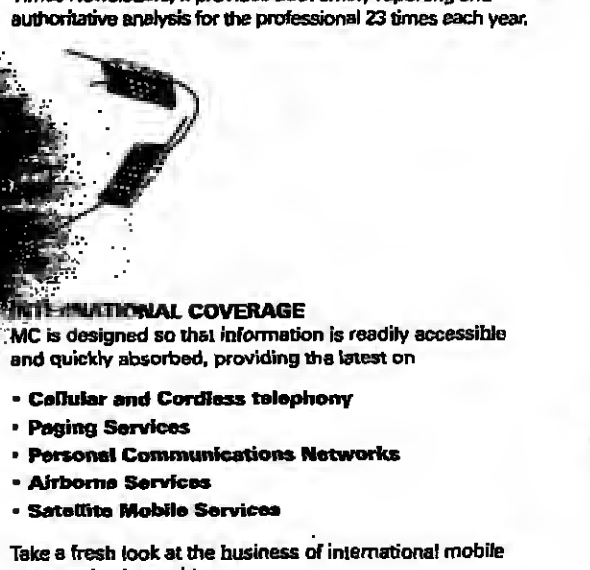
FT Graphite











## CONFERENCES







# THE WEEK AHEAD

## DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Australian Industry Dev. Corp. 6% 1996 Y80,000
British Gas 10¼% 2001 £108.75
British Telecom Finance 10⅛% 1995 Ecu108.25
Cable & Wireless Intl. Finance 10⅜% 2002 £1,037.50
Chubu Electric Power Co. 7% Nts. 1996 $350
Daily Mail & General Tst. 5¾% Exchangeable Bds. 2000 £32.58
Eksportfinans 8⅛% Nts. 1995 $81.25
Finland (Rep. of) 9⅛% Nts. 1997 £97.50
Isetan Co. 6.4% Nts. 1997 Y840,000
Ishihara Sangyo Kaisha 5.35% 1998 Y535,000
Do. 5.7% 2003 Y570,000
Japan Airlines Co. 8⅛% 1990 $406.25
Japan Development Bank 8½% 1998 $425
Kajima Corp. 6.35% 1998 Y635,000
Do. 6.35% 1997 Y635,000
Marubeni America Variable Rate Nts. 1997 Y5,000,000
Do. 6.4% Series C 1998 Y6,400,000
Mazda Motor 4.05% 2001 Y109,125
Do. 4.05% 2002 Y109,125
Mountview Estates 10p
National Grid Company 7⅜% 1998 £737.50
National Power 10⅝% 2001 £1,062.50
Nationwide Bldg. Soc. 11⅝% Nts. 1997 £582.50
Nippon Telephone & Telegraph 6⅞% 1997 $86.75
PowerGen 8⅝% 2003 £1,003.63
River & Mercantile Geared Capital & Income Tst. 1999 1.4p
SABRE Intl. (No.2) 8.4% 1998 Y840,000
Southern Electric 10¼% 2002 £1,025
Stars 1 Class A FRN 2029 £136.10
Toledo Bank Nederland Fltg. to Fixed Rate Nts. 2002 $2,009.56

■ **TOMORROW**
Australian Industry Dev. Corp. 10⅝% 1999 £106
Bradford & Bingley Bldg. Soc. Sub. FRN 2001 £1,612.37
Cardiff Automobile Receivables Securitisation FRN 1995 £138.70
Copymore 1.5p
Daiwa Overseas Finance Gtd. Fltg./Fixed Rate Nts. 2002 $1,973.40
Fujita FRN 1997 Y856,250
Great Universal Stores 4p
Italy (Rep. of) FRN 1998 $44.63
Kohap (Hong Kong) FRN 1998 $548.88
National & Provincial Bldg. Soc. FRN 1996 £87.61
Nationwide Bldg. Soc. 8⅝% Sub. Nts. 2018 £28.75
Do. FRN 1996 £87.25
Nomura Bank Intl. 9⅜% 1998 $468.75
Residential Property Securities No.3 Class A1 Mtg. Backed FRN 2025 £1,256.61
Unilever Capital Corp. 9⅛% Nts. 2000 $32.50
Yorkshire Electricity 6.8p

■ **WEDNESDAY MARCH 30**
Abdij National First Capital FRN 2002 $25.77
Bank fur Arbeit und Wirtschaft FRN 2000 $263.98
Bass 10¼% Db. 2010 £5.1075
British Gas Intl. Finance 8% Gtd. Nts. 1994 Ecu80
British Telecom Finance 8⅝% 1996 $431.25
Commonwealth of Australia 15¼% Nts. 1994 A$152.50
Gencor R0.05
Greycoat Stepped Coupon Discount 1st Mtg. Nts. 2002 £15,625
Halifax Bldg. Soc. FRN 1998 £147.65
Itochu Intl. Finance 7½% Gtd. Nts. 1994 Y750,000
Oki Electric Industry Co. 6.5% 2000 Y650,000
Primadona 2p
Seagram $0.14
Thai Prime Fund Prfd. $1
United Kingdom 15½% Treas. Ln. 1996 £7.75
Do. 7¼% Treas. 1998 £3.625
United Kingdom FRN 1999 £78.13
Woolwich Bldg. Soc. FRN 1997 £137.18

■ **THURSDAY MARCH 31**
Alexander & Alexander $0.25
Do. Class C 16.64p
Allied Radio £4
Allnatt London Properties 9¼% 1st Mtg. Db. 1996/2001 £4.625
Anglo Finance No.1 Mezzanine Sec. FRN 2001 £1,758.83
Do. Senior FRN 2001 £1,478.37
Do. Senior Sec. FRN 2004 £898.23
API 3.85% Pf. 1.925p
Ashley 8.25p Cv. Rd. Pf. 4.125p
Associated British Engineering 4.9% Cm. Pf. 2.45p
Do. 8% Cv. Rd. Pf. 4p
Atlantic Metropolitan (U.K.) 12% Cv. Un. Ln. 1991/97 £6
Audax Props. 11% 1st Mtg. Db. 2021 £5.50
Austin Reed 8% Cm. Pf. 2.8p
Automotive Products 3.5% Cm. Rd. Pf. 1.75p
Do. 4.55% 2nd Pf. 2.275p
Do. 9% Cm. Pf. 4.5p
BAA 11¾% 2010 £587.50
Banks (Sidney S.) 3.5p
Barrow Hepburn 7.75% Cm. Pf. 3.875p
Bass Invs. 7¾% Un. Ln. 1992/97 £3.6875
Bass 10.65% Db. 1996/99 £5.325
Do. 4½% Un. Ln. 1992/97 £3.25
Do. 7¾% Un. Ln. 1992/97 £3.875
Bemrose 7½% Cm. Pf. 2.625p
Blue Circle Inds. 5¾% 2nd Db. 1984/2009 £2.875
Boddington 4% Db. Perp. £2
Boot (Henry) & Sons 5.25% Cm. Pf. 2.625p
Boscombe Property 5% Cm. 1st Pf. 1.75p
Bowater 7.75% Cv. Pf. 3.875p
BP America 8⅝% Gtd. Bds. 1999 Ecu86.25
Bricon 7% Non-Cm. Pf. 1.225p
British Airways Capital 9¾% Cv. Capital Bds. 4.861644p
British-American Tobacco 5% Cm. Pf. 1.75p
British Assets Tst. 4½% Pf. 1.575p
Do. 5% A Pf. 1.75p
British Gas 7⅛% Bds. 2000 £76.25
Do. 0⅛% Bds. 2003 £81.25
British Inv. Tst. 11.125% Sec. Db. 2012 £5.5625
British Land Co. 10½% Defd. 1st Mtg. Db. 2019/24 £5.25
Do. 9⅞% 1st Mtg. Db. 2028 £4.6875
Do. 11⅜% 1st Mtg. Db. 2019/24 £5.6875
Brixton Estate 11.75% 1st Mtg. Db. 2018 £5.875
Brockhampton 9.5% Rd. Pf. 1998 4.75p
Brown (John) 4⅜% Sec. Ln. 2003 £2.4375
Do. 5⅝% Sec. Ln. 2003 £2.8125
Burtonwood Brewery 8¼% Db. 1989/94 £4.125
Cable & Wireless 7% Cv. Un. Ln. 2006 £3.50
Capital & Counties 8¼% 1st Mtg. Db. 1993/98 £3.125
Do. 6¾% 1st Mtg. Db. 1994/99 £3.375
Carclo Engineering 10.5% Cm. Rd. Pf. 5.25p
Chillington 12% Cv. Un. Ln. 2001 £6
Churchbury Estates 9% Un. Ln. 2000 £4.50
City Site Estates 10.5% 1st Mtg. Db. 2017 £5.25
Cleveland Place Hldgs. 5% Rd. Db. 2000 £2.50
Do. 12⅛% Rd. Db. 2008 £6.0625
Coats Viyella 4.9% Cm. Pf. 2.45p
Collateralised Mortgage Securities (No.8) Mtg. Backed FRN 2028 £119.34
Do. (No.11) Class A Mtg. Backed FRN 2028 £116.21
Commercial Union 8¾% Cm. Irred. Pf. 4.1875p
Continental Bank $0.15
Cooper (Frederick) 6.5p Cv. Rd. Cm. Ptg. Pf. 3.25p
County Smaller Companies Inv. Tst. 1.125p
Courtaulds Clothing Brands 7½% Cm. Pf. 2.625p
Courtaulds 7⅜% Un. Ln. 2000/05 £3.675
Courts 5.9% Cm. Pf. 2.95p
Cowie (T.) 10.5% Cv. Rd. Cm. Pf. 5.25p
Credit Foncier de France 14¾% Gtd. Ln. 2007 £368.75
Dai-Ichi Kangyo Bank 3⅞% Cv. Bds. 2004 $96.875
DAKS Simpson 5% Cm. Pf. 1.75p
Debenhams 6¼% 2nd Db. 1990/95 £3.125
De La Rue 2.45% Cm. Pf. 1.225p
Devenish (J.A.) 3.85% Cm. Pf. 1.925p
Drayton English & Intl. Tst. 5½% Cm. Pf. 1.925p
Do. 8.875% 4.4375p
Do. 10¼% Db. 2014 £5.3125
Drummond 8% Cm. Pf. 2.8p
East Surrey Hldgs. 9.5% Cm. Rd. Pf. 4.75p
EFM Smaller Companies Tst. 7¾% Db. 2023 £2.5479
Elliott (B.) 7¼% Db. 1990/95 £3.625
Emhart Db. 6% Cm. Pf. 2.1p
Empire Stores Grp. 8¾% Db. 1991/98 £4.375
Englehard $0.11
English National Inv. Co. 9½% Db. 1991/96 £2.375
English & Scottish Investors 1.25p
Do. B Shs. 0.010938p
Do. 3.75% Cm. Pf. £1.875
Ewart 8½% Un. Ln. 1990/95 £4.25
Fidelity Distributing Money Fund (Australian Dollar Fund) A$0.253179
Do. (Austrian Schilling Fund) Sch.5.018815
Do. (Canadian Dollar Fund) C$0.2293
Do. (DM Fund) DM0.814
Do. (Dutch Gilder Fund) FL0.645270
Do. (European Currency Unit Fund) Ecu0.312842
Do. (French Franc Fund) FFr1.45569
Do. (Hong Kong Dollar Fund) HK$1.4741
Do. (Italian Lira Fund) Lire581.6253
Do. (Japanese Yen Fund) Y17.52878
Do. (New Zealand Dollar Fund) NZ$0.531128
Do. (Spanish Peseta Fund) Pta1.6012
Do. (Sterling Fund) 22.668p
Do. (Swiss Franc Fund) SwFr0.4233
Do. (US$ Fund) $0.202561
Fidelity European Values Equity-Linked Un. Ln. 2001 0.842p
Filofax 0.75p
Finsbury Growth Tst. 5% Cm. Pf. 2.5p
Finsbury Tst. 5.25% Cm. Pf. 2.625p
Fisons 5⅞% Un. Ln. 2004/09 £2.9375
Foreign & Colonial Emerging Markets Inv. Tst. 6½% Cv. Un. Ln. 2010 £3.25
Foreign & Colonial Eurotrust 5¾% Cv. Un. Ln. 1998 £2.875
Foreign & Colonial Inv. Tst. 5% Cm. Pf. 1.75p
Foreign & Colonial Special Utilities Inv. Tst. Income Shares 1.1p
Do. Package Units 1.1p
Formminster 11% Cm. Pf. £528.75
Fuji Bank 1⅜% Cv. Bds. 2002 $43.75
Fujitsu 3% Cv. Bds. 1999 $75
Do. 5½% Cv. Bds. 1996 $27.50
Fulcrum Inv. Tst. 2.85p
Gartmore Shared Equity Tst. Geared Income 2.4p
Gartmore Value Invs. 0.9525p
GATX $0.375
General Consolidated Inv. Tst. Income 1.81p
General Electric Co. 2.87p
Glynwed Ints. 10¾% Uns. Ln. 1994/99 £5.375
Govett Strategic Inv. Tst. 11½% Db. 2014 £5.75
Grainger Tst. 11¾% 1st Mtg. Db. 2024 £5.875
Great Portland Estates 9.5% 1st Mtg. Db. 2018 £4.75
Do. 10¾% 1st Mtg. Db. 2021 £5.375
Greenalls 8% Cm. Pf. 4p
Greenhaven Securities 7¾% Un. Ln. 1991/96 £3.75
Haco 10¼% 2017 £5.3125
Halma 11% Cm. Pf. 5.5p
Hampton Tst. 10⅛% 1st Mtg. Db. 2025 £5.25
Haslemere Estates 10¼% 1st Mtg. Db. 1998/2003 £5.125
Hewetson 0.5p
Hill Samuel Sterling Fixed Interest Fd. rd. Pf. 2.25p
Hill & Smith 14% 1st Mtg. Db. 2000/03 £7
Hemor Finance (No 1) Class A Mtg. Backed FRN 2026 £117.29
Do. Class B £163.13
Housing Finance Corp. 5% Db. 2027 £2.50
Do. 7% Db. 2003 £3.50
Do. 7% Series 2 £3.50
Hoyle (Joseph) & Son 5% Cm. Pf. 1.75p
Inco Engineered Products 11% Db. 1996/2001 £5.50
Investment Co. 0.5p
Do. 0% Cm. Pf. 1.05p
Investors Capital Tst. 7¼% Db. 1992/97 £3.625
Ivory & Sime Enterprise Capital Steppd. Rate Cv. Un. Ln. 2000 £2.150425
Johnson & Firth Brown 11.05% Cm. Cv. Pf. 5.525p
Johnson Grp. 10% Cm. Pf. 5p
Jones, Stroud 10% Cm. Pf. 5p
Kelsey Inds. 11¼% Cm. Pf. 5.625p
Kingsley & Forrester 3.85% Cm. Pf. 1.925p
Kent Brewery Co. Y5
Land Securities 8¾% 1st mtg. db. 1993/98 £3.125
Do. 9% 1st mtg. Db. 1996/2001 £4.50
Do. 10% 1st Mtg. Db. 2025 £5
Do. 10% 1st Mtg. 2027 £5
Do. 8¾% Un. Ln. 1992/97 £3.4375
Do. 7% Cv. 2008 £35
Laporte Amalgamation 10¼% Db. 1994/99 £5.125
Lazard Smaller Equities Inv. Tst. 0.25p
Leigh Interests 6% Cv. Rd. Pf. 3p
London Cremation Company 10% Cm. Pf. 3.5p
London Merchant Securities 10% 1st Mtg. Db. 2018 £5
Lonrho 10¼% 1st Mtg. Db. 1997/2002 £5.125
Lookers 8% Cv. Cm. Rd. Pf. 4p
Mansfield Brewery 11½% Db. 2010 £5.75
Marston, Thomson & Evershed 7% Un. Ln. 1993/98 £3.50
Martin Marietta Technologies $0.225
McCarthy & Stone 7% Cv. Un. Ln. 1999/2004 £3.50
McKay Securities 2.1p
MEPC 3.65% Cm. Pf. 1.825p
Do. 9¾% 1st Mtg. Db. 1997/2002 £4.875
Do. 12% 1st mtg. Db. 2017 £6
Do. 8% Un. Ln. 2000/05 £4
Mercury Keystone Inv. Tst. 5% Cm Pf. 1.75p
Merlin Intl. Green Inv. Tst. 1.7p
Do. Units 1.7p
Mitsubishi Bank 3½% Cv. 2004 $175
Mitsubishi Electric 2⅜% Cv. 2000 $71.875
Do. 5¼% Cv. 1998 $131.25
Do. 5¾% Cv. 1998 $143.75
Morgan Crucible 3.85% Cm. 1st Pf. 1.925p
Do. 3.5% Cm. 2nd Pf. 1.75p
Morland & Co. 5% Cm. Pf. 1.75p
Moss Ashby 2p
Muckiow (A. & J.) 6¾% 1st Mtg. Db. 1989/94 £3.375
Do. 7½% 1st Mtg. Db. 1990/95 £3.75
Do. 13¼% 1st Mtg. Db. 2000/05 £6.625
Nationwide Bldg. Soc. FRN 1998 £22.24
NEC Corp. 2⅜% Cv. 2003 $71.875
Do. 5¼% Cv. 1997 $131.25
Do. 5¾% Cv. 1998 £28.75
NEC Finance 10⅝% 2018 £5.3125
Do. 13⅝% 2016 £6.8125
Newcastle upon Tyne (City of) 11¼% 2017 £5.625
New Throgmorton Tst. 12.6% 2008 £6.30
NHL (2) Secs. Class A1 FRN 2030 £88.37
Do. Class A2 FRN 2030 £160.94
Nissan Motor Co. 5¾% Cv. 1998 $143.75
Do. 0% Cv. 1996 £30
NMC 7.75p Cv. Rd. Pf. 3.875p
North Devon Water Board 4% 1998 £2
Northern Ireland Electricity 3.39p
Northern Telecom $0.09
Oldham Metropolitan Borough Council 12.4% Rd. 2022 £6.20
Oliver 5.25% Cm. Pf. 2.625p
Orient Corp. 8% Cv. 1995 £40
PCO Finance 8% Cv. Cap. 2005 £200
Peel South East 8¼% Un. Ln. 1987/97 £4.125
Petroleos Mexicanos 14½% Ln. 2006 £7.25
P & O Property Hldgs. 8% Un. Ln. 1997/99 £4
Portsmouth Water 3% Perp. Db. £1.50
Do. 3½% Perp. Db. £1.75
Do. 10⅝% Rd. Db. 1996 £5.3125
Do. 13% Rd. Db. 1994 £6.50
PUBCO 11¼% Secured Db. 2008 £5.625
Ransom (William) & Son 0.788p
Readicut Intl. 6% Cm. Pf. 1.05p
Do. 5¾% 2nd Cm. Pf. 2.0125p
Reckitt & Colman Capital Finance 9.5% Cv. Cap. Bds. 2005 4.75p
Renold 6¾% 1st Db. 1993/95 £3.375
Rickmansworth Water 4% 1907/28 Issue £0.394475
Rights Issues & Inv. Tst. 0.425p
Do. Income 6.3p
RIT Capital Partners 2.5% Cv. Un. Ln. 2000 £1.25
River & Mercantile Smaller Companies Tst. 1.25p
River & Mercantile Tst. 8½% Db. 1989/94 £4.25
Royal Bank of Canada Fltg. Rate Dbs. 2005 $30.69
Royal Bank of Scotland Series A Non-cm Pf. $0.703125
Do. Series B $0.70
Do. Series C Non-Cm. Dollar Pf. $0.59375
St. Davids Inv. Tst. Income 3p
Savoy Hotel 8¼% Mtg. Db. 1991/96 £2.0625
Do. 8½% Un. Ln. 1993/98 £4.25
Scantronic 5.75% Cv. Rd. Pf. 2.875p
Scholl 5¼% Cv. Rd. Pf. 2006/11 2.625p
Do. 8¾% Senior Pf. 2001/05 4.4375p
Schroder Split Fund Income 2.1375p
Scottish Mortgage & Tst. 8¾-14% Stepped Int. Db. 2020 £7
Scottish National Tst. Stepped Pf. 3.350239p
Do. 10% Db. 2011 £5
Second Alliance Tst. 15p
Do. 4½% Cm. Pf. £1.575
Securities Tst. of Scotland 4½% Cm. Pf. £1.575
Do. 12% Db. 2013 £6
Seminec Undated Sec. FRN Y634,375
S.E.P. Industrial Hldgs. Prefd. 0.9565p
Shell Trans. 5½% Cm. 1st Pf. 1.925p
Shires High-Yielding Smaller Companies Tst. 1.75p
Shires Investment 11% Cv. Un. Ln. 2003/04 £5.50
600 Grp. 3.15% Cm. Pf. 1.575p
Do. 4.55% Cm. 2nd Pf. 2.275p
Do. 11% Un. Ln. 1993/97 £5.50
Smith (W.H.) 3.75% Cm. Pf. 1.875p
Do. 5.75% Cm. Pf. 2.875p
Smith New Court 12% Sub. Un. Ln. 2001 £6
Smith St.Aubyn 6% Non-Cm. Pf. 2.1p
Do. 9.5% Cm. 2nd Pf. 4.75p
South African Breweries 8.2% Gross Cm. Pf. R0.082
Stag Furniture 11% Cm. Pf. 5.5p
Standard Chartered 12⅞% Sub. Un. Ln. 2002/07 £6.4375
Stoddard Inds. 5¾% Cm. Pf. 1.8375p
Sterling Inds. 5½% 1st Pf. 1.925p
S & U 6% Cm. Pf. 2.1p
Symonds Engineering 7½% Cm. Pf. 2.625p
Tate & Lyle 6½% Cm. Pf. 2.275p
Do. 8% Un. Ln. 2003/08 £4
Do. 10¾% Un. Ln. 2003/08 £5.375
Temple Bar Inv. Tst. 8.96p
THFC (Indexed) 5.65% Index-Linked 2020 £3.2741
Throgmorton Tst. 1.4p
Thwaites (Daniel) 5% 1st Cm. Pf. 17.5p
Tor Inv. Tst. 4¾% Cm. Pf. 1.6625p
Do. 0% Cm. Pf. 2.1p
Trafford Park Estates 11¾% 1st Mtg. Db. 2007/10 £5.875
Transport Development 9¾% Un. Ln. 1995/2000 £4.625
Treforest Silk Printers 6% Non-Cm. Pf. 2.1p
Triplex Lloyd 5¼% Cm. Pf. 1.925p
Truck Funding FRN 1997 £732.02
TSB Grp. Perp. FRN £148.71
TSB Hill Samuel Hldg. Co. 8% Un. Ln. 1989/94 £4
Unigate 3.9% Cm. Pf. 1.95p
Do. 4.95% Cm. Pf. 2.475p
Do. 5% Un. Ln. 1991/96 £2.50
Do. 6½% Un. Ln. 1991/96 £3.25
Valdra R0.12
Vickers 5% Non-Cm. Prefd. £1.75
Do. 5% Non-Cm. Pf. 1.75p
Do. 5% Cm. Pf. 2.5p
Volex 7% Cm. Pf. 2.45p
VSEL 11% Un. Ln. 1995 £5.50
Warburg (S.G.) 7⅛% Pf. 3.8125p
Warner Estate 6½% Un. Ln. 1992/98 £3.25
Wells Fargo FRN 2000 $45.21
Westland 12⅜% Db. 2008 £6.1875
Westpac Banking Perp. Capital FRN $178.21
Whitbread 4½% Rd. Db. 1999/2004 £2.25
Wiggins 8¾% Un. Ln. 1994/99 £3.375
Wilkinson & Riddell 8% Cm. Pf. 2.8p
Williams Hldgs. Cv. Cm. Pf. 4p
Do. 10.75% Cm. Pf. 5.375p
Wintrust 3.3p
Do. 5.75% Cv. Cm. Pf. 2.875p
Do. 10.5% Cm. Pf. 5.25p
Wyndeham Press 0.75p
Yorkshire Intl. Finance FRN 1994 £68.58

■ **FRIDAY APRIL 1**
Aerospace Engineering 0.25p
Airtours 6.375p Cv. Pf. 3.1875p
Allied-Lyons 9¾% Db. 2010 £4.875
Do. 5⅝% Un. Ln. £2.825
Do. 5¾% Un. Ln. £2.875
Do. 6¼% Un. Ln. £3.125
Do. 7½% Un. Ln. £3.75
Do. 7¾% Un. Ln. 1993/98 £3.875
Allied Textile Companies 8.3p
Alvis 0.5p
Asda Property Hldgs. 10⅜% 1st mtg. Db. 2011 £5.15625
Associated British Foods 6% Cm. Pf. 2.1p
Baldwin 7% Cm. Pf. 2.45p
Bank of Wales 13½% Un. Ln. 1985/97 £6.75
Baxter Intl. $0.25
BET 5% Perp. Db. £2.50
Black & Decker $0.10
Bowater $0.15
Bristol Water Hldgs. 6.75% Cv. Rd. Pf. 1998 3.375p
Bristol Water 8¾% Cm. Irred. Pf. 4.375p
Do. 11.20% Rd. Db. 2005/08 £5.60
Do. 11¾% Rd. Db. 2004 £5.875
Do. 15¼% Rd. Db. 2004 £3.75
British Land Co. 8.625% Cv. Rd. Pf. 2011 34.4054p
Bruton Estate 10¼% 1st Mtg. Db. 2012 £5.3125
Buckingham Intl. Sec. Cv. Rd. Pf. 1995 £3.50
Caps 8.4% Cv. Rd. Pf. 4.2p
Central Motor Auctions 3p
Cheam 3.15% Cm. 1st Pf. 1.575p
Do. 4.9% Cm. Pf. 2.45p
Do. 7% Cm. Pf. 3.5p
Chesterfield Properties 5.25% Cv. Cm. Pf. 2.625p
Comdil $0.10
Craig & Rose 5% Cm. Pf. 1.75p
Dyson (J. & J.) 1.5p
Do. A Non-vtg. 1.5p
Electron House 7.5% Cv. Rd. Pf. 3.75p
Essex Water 9⅞% Rd. Db. 1997/99 £4.9375
Do. 11.2% Rd. Db. 2005/09 £5.60
Do. 11.5% Rd. Db. 1993/97 £5.75
Do. 11¾% Rd. Db. 2002/04 £5.875
Fairline Boats 0.925p
First Chicago $0.40
Fleming Continental European Inv. Tst. 5% Cm. Pf. 1.75p
Fleming Far Eastern Inv. Tst. 4½% Cm. Pf. 1.575p
Do. 5% Cm. Pf. 1.75p
General Accident 7⅞% Cm. Irred. Pf. 3.9375p
General Consolidated Inv. Tst. 5½% Cm. Pf. £1.925
Glaxo 4¾% Un. Ln. 1985/95 1.6875p
Grand Metropolitan 4¾% Cm. Pf. 1.6625p
GTE $0.47
Hardys & Hansons 6% Cm. 2nd Pf. 2.1p
Haywood Williams Cv. Rd. Pf. 3.375p
Hull 2½% Rd. £1.25
Do. 3½% £1.75
Illingworth, Morris 6½% Cm. Pf. 2.275p
Do. 6½% 2nd Cm. Pf. 2.275p
ITT Corp. $0.495
Johnson Matthey 5% Cm. Pf. 1.75p
Do. 8% Cv. Cm. Pf. 4p
Kunick Cv. Cm. Rd. Pf. 3.5p
Do 8.25p Cv. Cm. Rd. Pf. 4.125p
Leeds (City of) 13½% Rd. 2006 £6.75
Liverpool Corpn. 3% Rd. £1.50
Do. 3½% £0.075
London (Corpn. of) 3% 2007 £1.50
London & European Grp. 10¾% Un. Ln. 1993 £3.50
Low (Wm.) & Company 6.75% Cv. Rd. Pf. 3.375p
Marshalls 6.5p Cv. Cm. Rd. Pf. 3.25p
Menzies (John) 4.1p
Do. 9% Cm. Pf. 4.5p
MEPC 10½% Un. Ln. 2032 £5.25
Mercury Keystone Investment Tst. 7¾% Db. 2020 £2.463
Do. 11¾% Db. 2010/15 £5.6875
Metropolitan Water Board MET WATER 3% 1963/2003 £1.50
Mid Kent Hldgs. Rd. Pf. 1997 3p
Mid-Sussex Water 10% Rd. Db. 2013/11 £5
Do. 12% Rd. db. 2010 £6
Motor World 4.7p
Murray Split Capital Tst. 2.65p
Do. UNITS 26.5p
Owners Abroad 8.15p Cv. Rd. Pf. 4.075p
P & O Steam Navigation Co. 5% Cm. Prefd £1.75
Prowting 8.8% Cm. Rd. Pf. 2002 4.4p
RCO Hldgs. 10.75p
Reading Corp. 3½% £1.75
R.E.A. FRN 1995/98 3.5p
Republic of New York Corp. $0.33
Rickmansworth Water 4% Cons. Db. £2
Sabre Leisure Management 7.25% Mezzanine Sec. Nts. 2001 £74.51
Do. 5.8% Senior Sec. Nts. 2001 £598.11
Sara Lee $0.10
Sears Roebuck & Co. $0.40
Smith (W.H.) A 5p
Do. B 1p
Sphere Inv. Tst. 5% Cm. Pf. 1.75p
Standard Chartered 7⅜% Non-Cm. Irred. Pf. 2.02054p
Stewart & Wright 6% Cm. Pf. 0.75p
Suffolk Water 3½% Perp. Db. £1.75
Do. 4% Perp. Db. £2
Do. 5% Perp. Db. £2.50
Do. 11.5% Rd. Db. 1995/97 £5.75
Taylor Woodrow 9½% 1st mtg. Db. 2014 £4.75
Tops Estates 7½% Cv. Un. Ln. 2020 £3.75
Towry Law 1.5p
TR Far East Income Tst. 1.3p
United Kingdom 3½% Conv. Ln. £1.75
Do. 2½% Treas. £1.25
West Trust 0.2p
Whitbread 5½% 3rd Cm. Pf. 1.925p
Do. 5¾% Irred. Un. Ln. £2.875
Wigan 3% Rd. £1.50
Witan Inv. Co. 8½% Db. 2010 £4.25
Woolcombers 7½% Cm. Pf. 2.625p
Do. 6% Cm. 2nd Pf. 2.1p
Xerox $0.75

■ **SATURDAY APRIL 2**
BOC 12¼% Un. Ln. 2012/17 £6.125
Caffyns 6½% Cm. 1st Pf. 2.275p
Do. 10% Cm. Pf. 5p
Gartmore American Securities 1p
Kuala Lumpur Kepong M$0.10
Scottish Hydro-Electric ADR $0.728

## UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
**Temple Bar Inv. Tst.**, Watermans' Hall, 18 St. Marriott Hill, E.C. 11.00
**Willoughby's Consolidated**, 5th Floor Conference Room, Cheapside House, 138 Cheapside, E.C. 11.00
BOARD MEETINGS:
Finals:
**Automated Security**
**Bemrose**
**Blagden Inds.**
**EBC**
**Edinburgh Fd. Mngers.**
**Forth Ports**
**Global**
**Headlam**
**Inchcape**
**Isle of Man Steam Packet**
**Nelson Hurst**
**Pearson**
**RJB Mining**
**Roxboro**
**Royal Doulton**
**Rutland Tst.**
**Scholl**
**Schroder Split Fd.**
**Sharpe & Fisher**
**Sherwood**
**Steel Burrill Jones**
**T & S Stores**
**Taylor Nelson**
**Thompson Clive Invs.**
Interims:
**Graystone**
**MY Hldgs.**
**Scottish Metropolitan**

■ **TOMORROW**
COMPANY MEETINGS:
**General Consolidated Inv. Tst.** 49 Hay's Mews, W. 2.45
**Vardon**, Sheraton Park Tower, Knightsbridge, S.W. 10.00
BOARD MEETINGS:
Finals:
**Alexon**
**Bailey (Ben) Construction**
**Bardon**
**Blenheim Grp.**
**Brake Bros**
**Co-Operative Bank**
**Croda Int.**
**Estates & General**
**FBD**
**Glenchewton**
**Henderson Highland Tst.**
**Hickson Int.**
**Hodder Headline**
**Jeyes**
**Johnston Grp.**
**Jourdan (T)**
**Macfarlane**
**Metsec**
**NB Smaller Co's Tst.**
**Next**
**OIS Int.**
**Proudfoot**
**Psion**
**Ropner**
**Rotork**
**Servomex**
**Taylor Woodrow**
**Tibbett & Britten**
**TransTec**
**Ulster TV**
**Waterford Wedgwood**
**Watts Blake Bearne**
Interims:
**Lloyd Thompson**
**Thorpe (FW)**

■ **WEDNESDAY MARCH 30**
COMPANY MEETINGS:
**BWD Securities**, Woodsome House, Woodsome Park, Fenay Bridge, Huddersfield, W. Yorks., 11.30
**Bibby (J.) & Sons**, Painters' Hall, 9 Little Trinity Lane, E.C. 10.00
**Drayton Far Eastern Tst.**, 11 Devonshire Square, W., 12.00
**Securicor Grp.**, Richmond Hill Hotel, Richmond Hill, Richmond, Surrey, 12.30
**Security Services**, Richmond Hill Hotel, Richmond Hill, Richmond, Surrey, 12.15
**Throgmorton Tst.**, Insurance Hall, Aldermanbury, E.C. 12.00
BOARD MEETINGS:
Finals:
**BLP**
**British Alcan Aluminium**
**British Fittings**
**Cakebread Robey**
**Caradon**
**Gaskell**
**Grampian**
**Great Southern**
**Harrisons & Crosfield**
**Higgs & Hill**
**Hogg Grp.**
**Johnston Press**
**Lec Refrigeration**
**Martin Currie Pacific**
**Mayflower**
**Meggitt**
**Ocean Grp.**
**Princedale**
**Roskel**
**Russell (Alex)**
**Senior Eng.**
**Spirax-Sarco**
**Tilbury Douglas**
**Wilson (Connolly)**
Interims:
**Bridport-Gundry**
**Pressac**

■ **THURSDAY MARCH 31**
COMPANY MEETINGS:
**Allied Textiles**, Highburton, Huddersfield, W.Yorks, 12.00
**Corporate Services Grp.**, Connaught Rooms, Great Queen Street, E.C. 9.30
**Fleming Claverhouse Inv. Tst.**, The Chartered Accountants' Hall, Moorgate Place, E.C. 12.00
**Govett & Co.**, Grand Hotel, Esplanade, St. Helier, Jersey, 10.00
**Gresham Telecomputing**, The Forte Hotel, Fareham, Hants., 10.00
**Yeoman Inv. Tst.**, Basement Room, Bride House, 20 Bride Lane, E.C. 12.30
BOARD MEETINGS:
Finals:
**African Lakes**
**Ash & Lacy**
**Boxmore Int.**
**Calor**
**Cementone**
**Clarkson (Horace)**
**London Securities**
**Martin Int.**
**Murray Ventures**
**Redland**
**Tanjong**

*Company meetings are AGMs unless otherwise stated.*
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

# CONFERENCES & EXHIBITIONS

**APRIL 7-13**
**THE BRITISH INTERNATIONAL ANTIQUES FAIR**
Established in 1982 this Fair ranks among the world's most important antiques events. 150 dealers display approx. £25 million worth of antiques and fine art of the highest quality. All items are for sale and prices range from less than £25 to over £500,000. Enq: Linda Colban - Centre Exhibitions Tel: 021 780 4141 (Ext 2760)
BIRMINGHAM

**APRIL 12**
**WORLD CLASS INTERNATIONAL WORKSHOPS:**
CONTINUOUS IMPROVEMENT THROUGH EMPLOYEE INVOLVEMENT
Understand how best to gain leverage in your organisation through liberating employees in the improvement process. Workshop includes World Class Principles, the CT Process, Employee Involvement and Implementation (Ref. WCM14) Contact Vicky Welham, World Class International Ltd
Tel 0705 268133 Fax 0705 268160
HAMPSHIRE

**APRIL 14**
**BUSINESS PROCESS RE-ENGINEERING**
ONE DAY SEMINAR AND WORKSHOP
The seminar provides a comprehensive BPR implementation strategy (Theory, case study, Workshops). Uniquely, we use proven methodologies and computer modelling. The speakers from QSC, William Lyne Associates and Origin cover all aspects of a successful implementation. Repeated May 12.
Contact Sharon Hayes, QSC Ltd.
Tel: 071-329-3377 Fax: 071-329-4508
LONDON

**APRIL 14**
**W S ATKINS, SECTEUR & THE UK CONSTRUCTION INDUSTRY**
JOINT BEC/DoE CONFERENCE
This conference will enable UK construction industry representatives to debate the future development of the industry in Europe. Speakers include Karlheinz Zachmann, Stuart Reynolds and Tony Baldry, MP. Contact: Paula Chandler Tel: 071 580 5696
LONDON

**APRIL 14 & 15**
**OPPORTUNITIES IN TURKEY**
A two day seminar for companies with an interest in the Turkish market wishing to establish direct contacts. Sectors include textile, leather exporters, pharmaceuticals, ceramics, machinery importers, municipality requirements, general trading, iron & steel industry. High level speakers from both countries. Contact: Belk Rayney, LCCI
Tel: 071 248 4444 Fax: 071 489 0391
LONDON

**APRIL 16-17**
**EMPOWERING THE HUMAN RESOURCE FUNCTION TO DRIVE CHANGE**
An intensive conference, using 14 practical case studies, to establish how to integrate Human Resource planning with your line management. Empowering your HR function will be key to drive future business success.
Contact: Tim Clark, IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

**APRIL 16**
**MANAGEMENT ACCOUNTING IN GERMANY**
A detailed exposition of management accounting practice in Germany and its institutional framework. Contact: Evanna Morris, CIMA Mastercourses
Tel: 071 917 9244 Fax: 071 580 6991
LONDON

**APRIL 18-20**
**INTRODUCTION TO CORPORATE FINANCE**
Suitable for newcomers in this field, the course focuses on the quantitative aspects of corporate finance including time value of money, financial statement analysis and cost of capital. Contact: Securities Institute
Tel: 071 626-3052 Fax: 071 283-0712
LONDON

**APRIL 18-20**
**LAFFERTY'S INTERNATIONAL ALLFINANZ CONVENTION**
Allfinanz is rapidly becoming more than Retail Banking + Life Insurance. It now includes Investment Funds + General Insurance. Increasingly banks, insurers and fund managers seek to supply ALL FINANCIAL SERVICES. Hence, this convention of three inter-related conferences: Contact: Elaine Fitzsimons, Lafferty Conferences
Tel: (+353-1) 671 8022 Fax: (+353-1) 671 3594
LONDON

**APRIL 19**
**OFFSHORE SAFETY CASE MANAGEMENT**
A conference on safety casework in the North Sea. Issues include assessing safety cases submitted to the HSE, future legislative needs, insurance risks, the legal position and safety case automation. Speakers include Michael Forsyth MP (Minister of State, Dept of Employment), Tony Barrell (Chief Exec. North Sea Safety, HSE). Organised with IchemE and Digital Equipment.
Contact: Iain Dale, The Waterfront Partnership
Tel: 071 730 0430 Fax: 071 730 0460
LONDON

**APRIL 18**
**STRIVING FOR BUSINESS EXCELLENCE**
Demonstrable evidence that Total Quality Management (TQM) pays. Practical examples from the 1993 European Quality Award winners, Milliken Europe and D2D. Other speakers include Lord Alexander (NatWest Bank), Bill Cockburn (Post Office) and John King (European Foundation for Quality Management).
Contact: Lorna Macintosh: 071-714 4479
LONDON

**APRIL 19**
**TAX INCENTIVES FOR UNQUOTED COMPANIES THEIR OWNERS AND INVESTORS**
This timely conference will examine how the new EIS works, if existing BES companies can qualify under the EIS; how to float BES companies; what exits exist for BES shareholders and how the venture capital trusts will work - the day concludes with an in-depth case study. CONTACT Kate Roberts, IBC Legal Studies and Services Limited
Tel: 071-637 4383 Fax: 071-631 3214
LONDON

**APRIL 19**
**WORLD CLASS INTERNATIONAL WORKSHOP**
PROCESS RE-ENGINEERING AND WORKFLOW AUTOMATION. The organisation that aspires to World Class performance will deliver its products and service through a series of value-adding processes. This workshop looks at how to make the best use of the leading workflow automation product Staffware, to radically improve process effectiveness. (Ref: WCM4A). Contact: Vicki Welham, World Class International Limited
Tel: 0705 268133 Fax: 0705 268160
HAMPSHIRE

**APRIL 19-20**
**BUSINESS PERFORMANCE MEASUREMENT:** TRANSFORMING CORPORATE PERFORMANCE BY MEASURING AND MANAGING THE DRIVERS OF FUTURE PROFITABILITY
A major two-day international conference on how and why organisations are broadening their performance measurement systems to include drivers of future value such as quality, customer service and human capital.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

**APRIL 19/20**
**PRACTICAL DOCUMENTARY CREDITS**
Trade finance training for financial institutions and export/import company personnel. Presentations, practical exercises and discussion on Doc. credits, handling discrepancies and the new UCP 500 procedures to clarify understanding of all issues. £480 + VAT.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 565821
LONDON

**APRIL 19-20**
**THE FUTURE OF THE IT INDUSTRY THROUGH THE YEAR 2000**
GartnerGroup consultants analyse key IT trends affecting industry. For chief information officers, senior staff in organisations who are large users of IT, computer manufacturers and IT suppliers. Price: £950. Contact: Kate Durham, tel: 0753 831122, fax: 0753 850776
LONDON

**APRIL 20-21**
**CHEMSPEC EUROPE 94/ FORMULATE 94**
An exhibition designed to highlight developing and future trends in organic intermediates, speciality, performance and fine chemicals, together with an exhibition promoting pharmaceutical ingredients and excipients.
G-MEX Centre, Manchester
Contact: Jane Malcolm-Coe
FMJ International Publications Ltd
Tel (0737) 768611 Fax: (0737) 761685
LONDON

**APRIL 21 & 22**
**BUSINESS PROCESS RE-ENGINEERING SEMINARS & WORKSHOPS**
Continuing a successful series of seminars for executives and senior managers charged with designing and implementing BPR initiatives. Established blue chip client list. Presented by a leading US practitioner, our guide is illustrated throughout with case studies and workshops. Course book also available. Repeated June 9-10. Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44 455 890821
LONDON

**APRIL 21/22**
**INTERNATIONAL AIRPORT RETAILING**
This conference deals with maximising profitability from captive customers and identifying products they will buy. It will cover post-1999 and analyse the full potential of new markets. A must for those already involved in airport retailing as well as companies looking for new business opportunities.
Contact Sasan Mason, IBC Financial Focus Tel: +44 71 637 4383
Fax: +44 71 323 4298
HEATHROW

**APRIL 21-22**
**ADVANCED CORPORATE FINANCE**
Designed for practitioners with substantial corporate finance experience, the course focuses on debt management, foreign exchange risk and equity.
Contact: Securities Institute
Tel: 071 626-3052 Fax: 071 283-0712
LONDON

**APRIL 28**
**SUCCESSFUL PR ACROSS EUROPE** THE BREWERY
This half day seminar explores the key issues associated with implementing consistent and successful press and public relations programmes in more than one European country. For company directors responsible for marketing in Europe as well as marketing communications managers and corporate advisers.
Contact: Julin Wnroeck, European Marketing Consultants Ltd.
Tel: 081-879 3033 Fax: 081-947 9042
LONDON

**APRIL 28-29**
**FINANCIAL MARKETS IN THE MIDDLE EAST CONFERENCE**
Sponsored by the UK Government, speakers include: Abu Ain'a, PECDAR; Eddie George, Bank of England; Samir Haleileh, Economic Development Group, Jerusalem; Dr Michel Marto, Central Bank of Jordan; Ismail Hassan Mohammed, Central Bank of Egypt; Haim Stoessel, Tel Aviv Stock Exchange;
Contact: The Royal Institute of International Affairs.
Tel 071-957 5700 ext 298, Fax 071-321 2045
LONDON

**APRIL 28 & 29**
**FT ASIAN CAPITAL MARKETS**
This timely conference will review emerging opportunities for capital market investments in key markets in the region. The practical issues relating to settlements, tax and risk management will also be addressed.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

**APRIL/MAY**
**USER PROJECT EXPERIENCE**
Barclays, Citibank, Euro-Dollar, J P Morgan, Powergen, Severn Trent and more describe project experience in client-server, RAD/JAD, object technology, communicating with sales force, etc. Vendor independent Software Users' Association
Tel: 0908 377445 Fax 0908 377470
LONDON

**MAY 4-5**
**KNOW YOUR COMPETITORS**
Competitor Intelligence & Analysis Inc. Benchmarking. A practical two day seminar/workshop from the UK's No 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: Patricia Dennard, EMP Intelligence Service.
Tel: 071-487 5665 Fax: 071-935 1640
LONDON

**MAY 10**
**INVESTMENT OPPORTUNITIES IN THE NEW SOUTH AFRICA**
For Fund Managers - Institutional investors focusing on new opportunities and cyclical investments. Date is inauguration of new South African Govt. Speakers: include Dr. Worrall, former Ambassador/Omega Chairman, leading SA and U.K. Brokers, Economists, Bankers, L.S.E. and A.N.C. Omega Research /John Katz and Associates. Tel: John Katz on 071 394 5795 or Fax 071 231 9938
LONDON

**MAY 11**
**RAILFREIGHT AFTER OPEN ACCESS - MAKING PRIVATISATION WORK**
A conference examining open access to UK railways and implications for new entrants following privatisation of Trainload Freight, RfD and Freightliner. Speakers include Rt Hon John MacGregor MP, Secretary of State for Transport. Organised by The Waterfront Partnership & The Rail Freight Group.
Contact: Iain Dale, The Waterfront Partnership
Tel: 071 730 0430 Fax: 071 730 0460
LONDON

**MAY 11**
**OPPORTUNITIES IN CHINA IN PROPERTY AND CONSTRUCTION**
Presented by staff from Tsinghua and People's Universities, Beijing, China Investment Bank, Beijing, UK Companies and UMIST staff. Business approaches, opportunities, difficulties and experiences in construction management and property development in China.
Enquiries: Pamela Hyde, Centre for Property Dev. and Man., UMIST.
Tel: 061 200 4218 Fax: 061 200 4217
MANCHESTER

**MAY 12**
**INVESTING FOR GROWTH**
This one-day conference will draw on the experiences of various companies that have used the discipline of recession to re-examine their assumptions about investment. What factors influenced their decision? What principles did they adhere to?
Director Conferences
Tel: 071 730 0022
LONDON

**MAY 25-26**
**IT 94: TRANSFORMING IT TO SUPPORT THE HIGH PERFORMANCE BUSINESS**
UK's first annual conference for senior executives responsible for re-engineering the organisation and delivery of IT. It addresses ways of organising IT to promote partnership with the business, the new skills and resources requirements and alternative approaches to systems delivery.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

**JULY 6-7**
**The Leasing Life EUROPEAN LEASING FORUM**
A conference examining opportunities in the European leasing industry. Speakers include Transport Minister Roger Freeman & representatives from the European Commission & European financial institutions. Looking at public projects & private finance, leasing in E. Europe, risk management, client needs & funding through securitisation.
Iain Dale, The Waterfront Partnership
Tel: 071 730 0430 Fax 071 730 0460
LONDON

**JUNE 8-9**
**EIS 94: CLIENT SERVER REPORTING FOR THE ENTERPRISE**
Europe's leading conference and exhibition on Executive and Management Information Systems. A unique conference programme which gathers many of the world's best thinkers, practitioners & case studies, with the aim of helping organisations link EIS to business goals.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

**OCTOBER 12-14**
**VOICE: VOICE AUTOMATION AND COMPUTER TELEPHONE INTEGRATION**
EUROPE'S LARGEST VOICE EVENT.
A three day international exhibition and conference providing the latest information on new communication technology and applications. The workshop-focused conference will have a special track on Call Centres.
Contact: Simon Cooper, Advanstar Communications Tel: +44 (0) 244 378888
Fax: +44 (0) 244 370011
LONDON

### INTERNATIONAL

**APRIL 25-27**
**THE 1994 EUROPE BUSINESS OPPORTUNITY CONFERENCE**
This three day conference offers an in-depth look at doing business in Europe today, bringing together leaders of industry, academic scholars and the Senior Commercial Officers of the US and Foreign Commercial Service from 30 US embassies and missions.
Contact: The Emerging International City, Pittsburgh, PA
Tel: 1-800-340-3262 (within the US) or (412) 263-5668 Fax: (412) 391-7530
PITTSBURGH, U.S.A.

**MAY 5 & 6 AND 9 & 10**
**RUSSIAN - USA: PROSPECTS FOR COOPERATION & INVESTMENT IN BANKING & FINANCIAL MARKETS**
The Russian Bankers Association with Senior Executives from over 40 leading commercial banks invite you to a conference in New York City on May 5th & 6th or to Miami Beach on May 9th & 10th. For information call Mr Elliott Berger or Ms Preethi Urs in USA
Tel: 516 887 0763 Fax: 516 887 3682
NEW YORK/FLORIDA

**JUNE 13-14**
**THE EUROPEAN FOOD AND DRINK INDUSTRY CONFERENCE**
The food and drink industry is going through difficult times; manufacturers and distributors are being squeezed as prices and margins are forced downwards. This conference presents actions and solutions; how to strike a balance between industry constraints and future business development.
Contact: Anne Jones, Management Centre Europe, Brussels
Tel: +32 2 516 19 11 Fax: +32 2 513 71 08
BRUSSELS

FINANCIAL TIMES SURVEY

# RISK MANAGEMENT

Monday March 28 1994

**The risks companies face are becoming more complicated. Rising premiums and shrinking protection have forced commercial buyers to rethink their approach and to seek alternative methods of insurance. Richard Lapper reports**

## Business takes cover

"Every time there is a disaster people say how could it happen to us. How can we be vulnerable?" Geoff Saunders, risk manager of RTZ, observes when explaining the recent growth of risk management – a combination of loss control, risk financing and self-insurance techniques which is becoming increasingly popular with larger British companies.

Mr Saunders points to the growing number of leading corporations backing the British insurance and risk managers' association, Airmic, whose annual conference opens today, as evidence of growing boardroom interest.

Mr Saunders, who is also Airmic's chairman, says more and more commercial buyers are examining alternative ways of insuring their property, legal liabilities and other risks.

Companies are increasing the amount of risk they retain on their own books by, for example, accepting larger deductibles. Additionally, many are forming "captive" insurance subsidiaries which are dedicated to insuring their own risks and allowing direct access to the reinsurance market.

Figures from Tillinghast, the actuaries and management consultants, show that the number of British captives has more than doubled since 1987, rising from 118 to 325. The number of captives owned by companies in the FTSE 250, the biggest companies in terms of market capitalisation, has nearly tripled since 1987, rising from 52 to 148. Recently privatised utilities have embraced the trend with particular enthusiasm.

This trend runs parallel to another development: the rise in popularity of financial risk management techniques such as the use of derivatives to cover interest and currency exposures.

Advocates of risk management have long argued that by increasing spending on safety and accident reduction and by setting up their own insurance arrangements, companies can reduce overall spending on insurance and improve their bottom line.

"Companies want to have their own access to the commercial and reinsurance insurance market, without having to pay for the overheads which insurance groups carry," explains Alan Fleming, risk manager of ICI and executive director of Airmic. "Why go to these guys when you can go directly to the real risk-takers who have much more capacity. This is the real driving force for captives."

In the UK, these traditional arguments, which helped fuel the initial rise of the captive movement in the 1950s and 1960s, have been reinforced by two recent trends.

First, a spate of expensive international disasters in the past 10 years including the explosion on the Piper Alpha oil rig in the North Sea in 1988 and the IRA bomb blasts in the City in 1992 and 1993, have provided graphic reminders of the range of risks to which the corporate world is exposed.

Second, sudden and unexpected increases in prices and restrictions in insurance cover, have led many companies to question the traditional answers offered by the conventional insurance market.

A number of insurers, for example, have reduced their involvement in classes such as motor fleet and employers' liability, as a result of steep rises in claims costs.

The market for employers' liability could contract further early next year if reinsurers go ahead, as expected, with plans to limit the cover they offer.

Companies excluded terrorism cover as a standard feature of property insurance policies, after the IRA bomb in April 1992. Business is now largely dependent on terrorism policies sold by Pool Re, an industry-owned mutual whose losses are ultimately guaranteed by the government, and there have been widespread protests about the increased costs. In some cases London-based companies are paying as much for their terrorism policies as they pay for the rest of their property insurance.

Mr Fleming concedes that insurers were under pressure from their own reinsurers to withdraw but says: "It is worrying that the market overreacts to the unusual. A vibrant market would see this as an opportunity rather than a problem."

Another area, pollution, has also been a cause for concern. Insurers excluded protection against gradual pollution from all liability policies in 1991 but there are fears in some quarters that cover for sudden and accidental damage could also be excluded for standard public liability policies over the next few years.

Mr Saunders says that the market's stance on pollution reflects a more general unease about long-tail liability risks – in which claims typically emerge many years after the inception of a policy.

The withdrawal from the market of the ninth biggest UK insurance company, Municipal Mutual, in the autumn of 1992, and the disappearance of dozens of smaller London companies has highlighted yet another worry – the security of underlying policies. Municipal Mutual insured relatively small amounts of commercial business but was hard hit by liability claims from the local authorities which owned the company.

"When you think you've laid off risk and you find out you really haven't because your insurer goes belly up it is a concern," says Mr Saunders.

As buyers respond to these developments there are signs that the UK and, to a lesser extent, the rest of Europe are following a well-established North American trend. There, more than a third of insurance premiums have been diverted from the conventional insurance market towards a so-called alternative market populated by captive insurance subsidiaries and other self-insurance facilities, such as risk retention groups.

"Europe is a decade and a half behind the US," says Joe Smetana, chairman of risk management at American International Group, a company which was quick off its feet in anticipating the risk management trend.

As well as selling a range of cooventional products, AIG is now a leading provider of claims management, loss control and other services for the alternative or self-insurance market.

Mr Smetana says that the contraction of the liability market, initially for product liability and medical malpractice risks in the mid-1970s, fuelled the growth of the alternative market which had begun in the 1950s.

Subsequently, further tightening in liability classes in the mid-1980s boosted the development of the alternative market, including the formation of significant Bermudian high-level liability insurance facilities, such as ACE and XL.

Most of this business bas been lost by the conventional market, a development which could have far-reaching ramificatioos for North American insurers.

The traditional insurance market cycles – in which premium rates fluctuate aloog with the amount of capital moving in and out of the industry – are expected to become less pronounced, or even, a thing of the past.

"For four years everyone has been saying the hard market is coming. It hasn't. Quite honestly one of the main reasons is because of the alternative market," says Mr Paul Brown, director of public affairs at the Risk and Insurance Management Society, the US risk managers' association. He says that 83 per cent of the Fortune 1000 top US corporations are members of RIMS and the organisation is now increasing its representation among medium-sized companies.

Some analysts expect the US alternative market to absorb 50 per cent of premiums by 2000 and predict that a growing number of European industrial customers will follow suit, especially if deregulation and liberalisation of the European markets lead to increases in premiums for commercial risks.

Bigger insurance brokers, especially those whose interests span the Atlantic, are anticipating the trend, increasingly earning fees from risk management advice and services as well commission income on policies.

But the trend could represeot a further blow for those UK and European insurance companies who are too slow to respond.

Some may be losing many of their most significant commercial customers to self-insurance. For an industry already besieged by the banks and new direct telephone-based insurers in areas such as motor, home and life insurance that could be bad news.

### IN THIS SURVEY



■ EMPLOYERS' LIABILITY

# Capacity crunch looms

Employers' liability (EL) used to be seen as a relatively easy class of risk to manage – for insurers and industry. But since the Piper Alpha disaster in 1988, which sent a tidal wave of claims through the market, businesses are finding EL protection increasingly expensive and often difficult to place. As a result, a radical shake-up in the way EL risk is managed and insured is now under way.

If Piper Alpha shocked direct writers and reinsurers into reducing their exposure to EL insurance business, a steady increase in the cost of claims over the past 20 years had already become a growing concern for EL insurers such as Eagle Star. The leading UK EL underwriter has worked out that the average cost of EL claims has risen by 15 times in the past two decades and is still growing.

Against a background of 800 per cent inflation over the same period, claims for total disablement have risen by 1,500 per cent (from an average of £50,000 to £750,000) and claims for minor injuries increased 1,250 per cent (from £100 to £1,250). Besides injury claims, losses incurred by insurers from occupational disease claims have also grown and now represent about 50 per cent of all EL claims, compared to less than 20 per cent 10 years ago.

In addition to the relentless march of claims in "traditional" categories, such as deafness or loss of limb, new heads of claim emanating from white-collar employees are adding to insurers' woes.

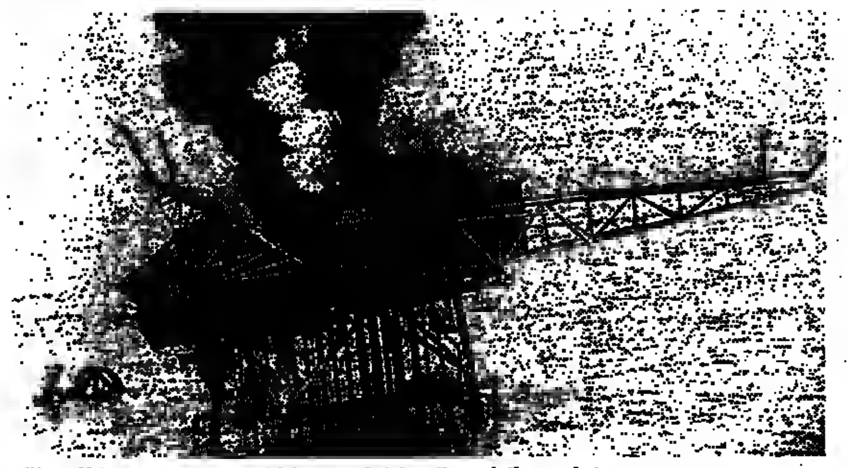
Repetitive strain injuries, stress and the effects of passive smoking are rated the claims of the future as trade unions find success, if not with judge and jury, then in out-of-court settlements.

In the face of such formidable claims attrition, insurers have been led by those reinsurers which remain in the market to increase rates and limit the scope of cover offered businesses. Rate increases of 30 per cent annually are now commonplace and as much as 100 per cent, not unusual.

Furthermore, for the first time, industry risk managers approach their EL renewals this year with limits attached to their policies. By law, a company must purchase a minimum of £2m – but from January 1, 1995, a limit of £5m-£10m per policy is likely to be imposed by insurers, instead of the unlimited cover companies have traditionally enjoyed. The situation will be further complicated if the government raises the statutory minimum level of cover, as some observers expect it to soon.

But worries in industry run even deeper: "The limit of indemnity is a red herring really," says Ray Mattholie, risk manager at telecommunications giant BT and head of the AIRMIC working group into EL. "There are not so many companies which need to worry about catastrophic exposures. The cap is simply a symptom of the shrinking market for EL cover: there is just no interest in writing new business in the market," he says.

It is this lack of availability, especially to non-manufacturing businesses, which will lead to changes in the way EL protections are organised, according to Mr Mattholie. Fundamental changes to the basis on which cover is underwritten, away from occurrence to claims made, to reduce the "long tail" of policies, for example, would require a change in the law governing employers' liability. Similarly, companies increasing their retention of exposure could be contravening existing law which stipulates the amount of cover a company must purchase. "More companies employ alternative risk financing than you might think and it is a nonsense that they have to hide it away," says Mr Mattholie. "Some of these companies are more viable than their insurers."



The Piper Alpha disaster sent a tidal wave of claims through the market

An even more radical solution being proposed by some risk managers is the adoption of a US workers' compensation type of scheme in the UK. In the US, awards are made through a standard "no-fault" procedure of fixed benefit levels and not through the courts. Premium rating for EL plans have to be approved by the individual states, which are responsible for overseeing their own systems.

Eagle Star's Derek Howie, assistant liability manager, is not convinced: "To follow the American lead would be to introduce an expensive problem for UK industry," he says, pointing to the difficulties tha US system is facing.

Mr Howie concedes that the UK Act could be looked at again to accommodate the element of "self-insurance" which some companies require – the use of large deductibles or a captive, for example – but stresses that the Act is designed to protect employees: "There is nothing fundamentally wrong with English common law – the present system works well – what is needed is a board-led assault on the appalling accident rate in our companies."

But brokers are bringing some risk engineering to bear on EL problems. Risk sharing is advocated by Ron Hayes, director of international risk management at Bowring Marsh & McLennan, because it encourages insurers to make cover available and without exclusion.

Larger clients are increasingly using their captives to insure part of their EL risk, Mr Hayes says. The insurer issues policies providing for full cover but reinsures "predictable" losses to the company'a captive. Even smaller companies should find that taking a sizeable deductible produces savings.

Assigning the deductible to operating companies will concentrate managers' minds on properly managing EL risk, Mr Hayes adds.

Sedgwick UK has introduced an EL risk auditing service which it says helps reduce incidents and claims. It charges a set fee to analyse previous claims, assess the risks a company is exposed to, design a risk management plan to reduce them and negotiate a premium based on the improved risk exposure.

Self-financing deals allow a risk manager to take control of the EL programme but do not always assure great premium savings, warns Sedgwick UK's casualty director James Hopper.

**Garry Booth**

■ ENVIRONMENT

# Call for an integrated approach

Over the past five years, environmental liability has gained importance in risk management circles throughout the world. A barrage of laws and regulations on everything from pesticides to packaging waste has turned what was once regarded as routine spillage or emission into actionable nuisances or even criminal offences.

Anyone doubting the momentum of this trend should look at a snapshot of activity worldwide:

■ The European Union is debating new liability rules under its Green Paper on Remedying Environmental Damage;

■ The Strasbourg-based Council of Europe has agreed a convention on liability for damage resulting from activities dangerous to the environment;

■ The United Nations Environment Programme (UNEP) is developing a liability protocol under the Basel Convention on cross-border movements of hazardous waste;

■ The UK government has just published its preliminary thoughts on liability for contaminated land;

■ The French environment ministry has circulated all departments and regions with instructions to begin preparation of inventories of contaminated sites;

■ The governments of Germany, the Netherlands, Denmark, Sweden and Finland, as well as regional governments in Spain and Italy, are promoting tougher liability and clean-up proposals;

■ In the US, Congress is examining proposals to update both the Superfund hazardous substance clean-up law, CERCLA, and the Clean Water Act;

■ In Canada and Australia, individual states and provinces are developing new strict liability regimes;

■ Even in Japan, the recently passed Basic Environmental Law and some local city ordinances are opening the way for new liability provisions.


At the same time, the environmental enforcement agencies and powers at national and international level are being strengthened, with a third biannual international enforcement conference to be held in Oaxaca, Mexico, next month.

The uncomfortable paradox is that, just as environmental regulations proliferate and liability increases, the insurance market has been restricting or removing cover for environmental risks. Courts in the US have been upholding hundreds of high value claims for Superfund and other clean-up costs, under general liability policies that were either silent on pollution or attempted to limit cover to "sudden and accidental", as opposed to gradual, incidents. As a result, insurers have been rewording their general policies to narrow the range of pollution incidents covered.

Conversely, a small number of insurers, including insurance market pools in certain European countries, now offer specialist environmental insurance policies to cover a variety of risks, including environmental impairment (third party) liability (EIL), own-site clean-up, and contractors' risks, directors' and officers' risks (D&O), and professional indemnity (PI) risks.

The Exxon Valdez disaster in 1989 poured more than 11m gallons of oil into Alaskan waters

These new policies are generally based on "claims made" (as opposed to "occurrence") policy wordings, require intensive site surveys before cover is offered, have modest policy limits (typically £1-£10m) and involve substantial deductibles (the amount paid by the policy holder in any loss). They require payment of premiums which many potential policy holders consider high, particularly when they have had environmental cover free in the past. In addition, they offer little cover for damage caused in the past, to the extent that such cover simply will not be available to many existing industrial facilities.

As Richard Turrin, of AIG Europe (UK) Ltd, one of the providers of such insurance, puts it: "You can't insure a car after it has crashed." On the other hand, he points out, sites subject to a properly documented clean-up may become insurable again and, in another context, companies inviting contractors or consultants on to their sites may well want to ensure that these intruders are adequately covered for any environmental damage they do in the course of their work.

Caught in this pincer movement of tightening regulation and narrowing insurance cover, risk managers are developing more sophisticated packages of measures to handle environmental risks.

Nick Chipman, managing director of Sedgwick Environmental Services in London, believes that EIL policies are too limited to be of much use to many clients. He hopes to see more "customer-friendly" insurance products emerge from discussions with interested insurers. At the same time, he is keen to encourage clients to get their own operations into a condition that will make them more insurable.

Some companies, he says, publicise corporate environmental policies without doing enough to implement them. He also sees a complacency in countries such as the UK where "sudden and accidental" pollution cover can still be obtained free under public liability policies. Mr Chipman argues that buying specialist environmental policies can increase the inherent value of a business by acting as a kind of certificate of assurance on its commitment to good environmental management.

Beyond that, Mr Chipman recommends that all clients at risk dig out their old liability policies, often written on an "occurrence" basis (i.e. with cover remaining open indefinitely for incidents occurring during the period of the policy), which he sees as an asset against which potential liabilities can be offset. Where there is no insurance to rely upon, he points to a range of alternative risk financing mechanisms, which allow companies to put money aside on a regular basis towards possible future liabilities. The key, he says, is to have an integrated approach to all the options available.

**Chris Clark**
*Editor of the newsletter, Financial Times Environmental Liability Report*



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■ BUSINESS INTERRUPTION

# Ways of limiting the cost of a calamity

In March 1993, a fire struck the plant of wallpaper manufacturer Gallery Home Fashions at Caerphilly in sonth Wales. Nearly half of the 42,000 square feet building was destroyed, including the stock areas and the office block. Some of the machinery was damaged beyond repair and everything else in tha building was badly affected. As the company's chief executive, Martin Paterson, says: "After the fire we were playing for very high stakes – our survival. Continuity of supply is vital in the wallpaper business. If we don't fill rack space in the shops, someone else will."

A £4.6m insurance settlement was negotiated with the assistance of Nicholas Balcombe, chief executive of loss assessors Balcombe Gronp. Rather than rebuild the factory, which would have led to production sbntdown for a significant period, it was agreed that a new plant should be built nearby.

In the meantime, with co-operation from the Health and Safety Executive (HSE) and the building authorities, it was possible to repair the factory sufficiently to restart some production within two weeks, concentrating on the most profitable lines.

Over the next nine months output was built up to around two-thirds of normal. From December 1993, production began to be transferred to the new plant, which was officially opened in early March 1994, a year after the fire.

Mr Paterson emphasises the importance of the initial stages: "The momentum we generated in the first fortnight after the fire carried ns through the longer-term recovery."


Martin Paterson: 'we were playing for high stakes – our survival'

This case shows that it is possible to successfully manage the consequences of a serious interrnption to bnsineas, throngh co-operation between management, workforce, insurers, insurance brokers, loss assessors, loss adjusters and the relevant anthorities. It also highlights that rebuilding plant is not always the best option.

It is not only large fires that interrupt business. As Andrew Dunn, marketing manager of disaster recovery and restoration specialist Stralis, says: "A fairly small material damage loss can have a phenomenal bnsiness interruption effect." One example would be damage to a crucial high technology machine, on which the lead time for purchase of a replacement may be a year or more.

Laurence Law, national services director of Alexander and Alexander (UK) Ltd, cites the case of a carpet-making machine which took three years to replace.

Business interruption (b/i) insurance is one element in the management of risk. It covers, during a selected indemnity period, loss of gross profit and "increase in cost of working", that is, costs incnrred in minimising the gross profit loss, for example, snb-contracted prodnction, overtime payment, temporary equipment hire, or purchase of replacement stock from alternative snppliers at higher price. Extensions to policies can cover interruption caused by damage at customers' or suppliers' premises, denial of access, and other b/i risks.

Global figures for UK insurance companies (these exclude Lloyd's syndicates results) from the Association of British Insnrers (ABI), put gross incurred b/i claims following fire at £100m in 1993, compared with £423m for commercial property damage claims following fire. However, insurance claims do not give the full picture. Ona leading insurer has written that "the traditional problem of inadequate sums insured remains a feature of many b/i claims."

As Mr Balcombe says: "Some companies manage to make good the damage and recover quickly, supported by payment in full of their insurance claims. Many others are not so fortunate – usually they have been under-insured."

Many b/i policies are purchased with an indemnity period of 12-18 months, whereas repair and rebuilding after some incidents can take much longer. Brian Toft, risk analyst in the Risk Services Division at Sedgwick (UK), says: "In many cases a year is too short: it may take two or three years to get n business up and running after a major incident. By then the trained workforce may have disappeared, as well as customers."

The costs of loss of reputation, or long-term loss of customers due to inability to supply goods, are difficult to quantify. This, in addition to underinsurance, may disguise the fact that in some cases the real cost of business interruption can be greater than that of physical damage.

Modern business practices can lead to increased interrnption risks. Dependencies between cnstomers and snppliers are rising. One instance is single sourcing of components, which has advantages in terms of cost and quality control, bnt can be a critical problem if the sole supplier suffers an incident disrupting supply.

An extreme example of problems associated with concentrated sourcing is a fire in 1993 that destroyed a plant in western Japan which produced 60 per cent of the world's output of a resin used in semiconductor devices. Such problems can be compounded by business methods such as just-in-time, where raw material and finished goods stocks are kept to a minimum.

High capacity plant gives advantages of economies of scale. Concentrating a higher volume of production into a more compact area also heightens the potential extent of damage and consequent interruption in the event of a disaster. Similarly, widespread reliance of many businesses on compnter systems, increases the potential consequences of computer failure.

There is a wealth of experience within the risk management profession to help businesses cope with these business interruption risks, both pre-loss prevention and post-loss mitigation. Roger Ricketts, technical manager of property services in Sun Alliance International's Risk Improvement and Survey Department, says the emphasis must be on prevention: "Having b/i insurance does not guarantee you won't go out of business. An important part of our work is to give advice on contingency planning, and risk identification, assessment and control."

Also of significance are hidden costs – sometimes called "iceberg" costs – associated with accidents in the workplace. These are not generally termed business interruption events, but looked at in the broad risk management context can have the same effect. For instance, if an accident occurs on a production line or individual machine, outpnt might have to be sbnt down for a period. John Hurrell, managing director of Sedgwick Global, notes that other hidden costs can stem, for example, from management time spent in investigating an incident, difficulties in hiring skilled replacement workers, and less tangible elements such as the effect on morale or damage to reputation.

As Barry Holt, manager of Liberty Risk Services, says: "Our research, and that of bodies like the HSE, shows the value of addressing the top of the accident 'iceberg'. Our role is to identify and assess workplace risks, and then reduce or eliminate them, with the aim of preventing accidents from occurring in the first place."

**Simon Reynolds**

■ LIABILITY

# Directors rush for shelter

Environmental liability and employers' liability may be the hot issues for companies in the Nineties but they face many other liabilities equally difficult to handle. Directors' and officers' liability (D & O), public liability, and product liability are all areas where there has been an increase in litigation and awards, or out-of-court settlements.

The problem for companies and their insurers is that liability claims are subject to the whim of the courts, and awards, especially personal injury, are rising.

One of the most noticeable trends recently has been the increasing liability of directors, who are being sued alongside their companies. Greenpeace, for example, began a campaign to single out directors of polluting companies.

The first recourse of a director is a D & O insurance policy which provides cover for claims made against directors for wrongful acts or trading, and defence costs. According to the latest Wyatt UK D & O survey (with 123 responses, admittedly only a small sample) 62 per cent of respondents had insurance cover (compared to 84 per cent in the mnch larger US survey).

D & O insurance claims give a good idea of the growing incidence of claims against directors and the source of those claims. The Wyatt survey shows that 26 per cent of participants have experienced at least one claim in the past 10 years, compared to 1991 when the figure was 17 per cent. Claims were brought by employees or former employees (32 per cent), competitors (21 per cent), shareholders (21 per cent) and government bodies/regulators (18 per cent).

Martin Beagley, of Willis Corroon, says the main exposure is in the US: "There have been more claims in the last six months than there have been in the last six years, and most are employment-related, coming from large UK multinationals operating in the US."

In the US claims from shareholders account for nearly 50 per cent of all D & O claims, and inadequate financial disclosure claims are on the increase while claims from merger and acquisition activity, from where the majority of UK claims stem, have fallen.

The D & O insurance market is very competitive with new capacity coming in, and the old participants refocusing, so that while there has been an increase in claims, the premiums are still relatively cheap.

There are some exclusions in D & O policies, including dishonesty or fraud, except where there is a successful defence, product liability and libel or slander. More importantly, most policies specifically exclude pollution, whether gradual or sudden and accidental. However, a specific D & O pollution policy was launched recently by AIG.

The Cadbury Report has had a profound effect upon directors and has certainly increased the awareness of directors of the liabilities they face. Similarly, the well-known recent scandals involving directors have helped to concentrate the mind of directors on their potential liabilities, and, indeed, the threat of a heavy fine, or even imprisonment, may be driving risk management within companies. At the very least, it can be used by risk managers to bring risk management to the attention of senior management. As Liz Taylor, risk manager at Harrison & Crossfield, points out: "I think that risk managers should use all the incentives that they can, and personal incentives for managers are a very useful tool."

**The problem for companies and their insurers is that liability claims are subject to the *whim of the courts***

Public liability insurance (PL) provides protection for companies against financial loss stemming from third party personal injury or property claims, and, as with most liability insurance, claims are on the increase. Since 1991, PL policies have included gradual pollution exclusion wordings, but they still offer cover for sudden and accidental pollution, though most in the industry now feel this will not be the case for much longer.

In contrast to the relaxed attitude to pollution liability, many PL policies in the energy field now exclude third party liability in cases involving electromagnetic fields (EMF), in spite of there being no case history or proven liability.

The 1985 EC Directive on Liability for Defective Products (which resulted in the Consumer Protection Act in the UK in 1987) imposed a regime of strict liability, which, combined with the growing "deep-pocket" approach to claims, has driven greater risk management among manufacturers. And the forthcoming EC General Product Safety Directive will impose new responsibilities to encourage risk assessment and prevention.

While awards escalate in the US, the UK prodnct liability market is relatively stable. This is partly because there simply are not the buge awards in UK courts that are found to the US. The biggest claims in the UK occur in the pharmaceutical or chemicals industries. These industries are normally only able to obtain cover on a claims-made basis, but for other industries there is little problem in getting cover on an occurrence basis.

Paul Maynard, technical director in the UK division of Minet, the international insurance broker, says that in 1985/86 insurers, where their insureds had a US exposure, tried to force all policies towards claims-made wordings, bnt the attempt was short-lived. He adds: "The commercial market today could be described as hard, though it is not as bad as in 1986. There may not be big reductions at renewals, but it is not difficult to find good quality capacity."

While product liability may not be a problem area for companies, D & O looks set to be a significant problem if the UK follows the US example. According to the Wyatt survey in the US, the average D & O claim last year was $3.25m, with shareholder claims averaging $5.4m.

Douglas McBean, a D & O specialist with Minet, sounds a note of caution for European companies which are listed on US stock exchanges, or which are considering doing so: "Used to the relatively lax reporting requirements in the UK and mainland Europe, many companies are caught unawares regarding the stringent rules of disclosure of information to shareholders and regulators in the US. Plaintiff lawyers and the Securities Exchange Commission (SEC) have not been reticent in exercising their powers."

Many will say that it is only the US's contingency fee system that inflates liability claims, and that it will never happen on the same scale in the UK. But be warned: there is considerable pressure to bring in some form of contingency fee litigation in the UK.

**Tony Dowding**
*Editor of the commercial insurance and risk management monthly Corporate Cover.*

■ CONTINGENCY PLANNING

# The art of planning for a disaster

The extensive damage, injury and death caused by terrorist bomb explosions in New York, London, Northern Ireland, Milan, and elsewhere provide the most pointed lessons in the need for contingency planning.

However, the discipline is relevant not only to such high profile events, but also to the management of any incident which affects continuity of business. Threats arise from many diverse sources, including: fire, flood, or storm; employee fraud or negligence; computer virus; a health alert (perhaps a case of legionnaire's disease); or injury to key staff.

Even seemingly prosaic events, such as loss of a corporate stationery storage facility through fire, can disrupt a business. A threat might be posed by an incident which strikes a supplier, affecting its ability to deliver key components. As Chris Chandler, of Continuity Planning Associates, says: "Our definition of a disaster is any unplanned occurrence which seriously affects an organisation's ability to trade."

A recent British Bankers' Association (BBA) guidance note, Surviving a Disaster, asserts: "Contingency planning is essential, not optional, and should be budgeted for accordingly." This sentiment is equally applicable to all business sectors. However, evidence suggests that such advice has yet not been fully heeded. In 1993, Keith Hearnden, a lecturer in security management at Loughborough University, surveyed the ability of organisations' contingency plans to cope with a disaster striking computer systems. Based on 421 responses his analysis shows that, while awareness of the need for contingency planning is high, in practice plan implementation, scope and effectiveness often leave much to be desired.

The survey results indicated that 43 per cent of respondents had no contingency plan, 20 per cent had untested plans, and 15 per cent had "doubtful" plans. Just 22 per cent had contingency plans that were termed "viable." The overall figures hide wide variations between industry sectors. For example, viable plans were found among 63 per cent of gas, electricity and water utilities, but only 14 per cent of local authorities and computer services businesses (such as software houses and systems bureaux).

In publishing these results, IBM UK noted: "The research paints a gloomy picture of the viability of recovery plans in British organisations." IBM's report adds: "Many so-called business recovery plans stay in the IT department." Information technology systems are increasingly important given the widespread distribution of computing power throughout organisations. However, a focus on IT systems, or any other individual operational area, is unlikely to lead to effective contingency planning.

The Bishopsgate bomb emphasised the need for contingency planning

As Charles Shaw, director of business continuity consultancy at Safetynet, says: "Having a plan solely for an IT department is like having a fire escape half way down the side of a building." Leo Gibbons, associate director of Sedgwick Bankrisk, agrees: "Contingency plans must address the effect of an incident on the continuity of the business as a whole. For example, having a hot-site standby computer facility up and running within a few hours may not be of much use if the appropriate staff, command structure and communication links are not in place."

However, in recent years computer disaster recovery services have broadened their scope and are now largely indistinguishable from contingency planning, or business continuity planning, disciplines which have developed in a wider risk management context.

In its guide to disaster recovery action planning, MRC Business Information Group notes the change in emphasis: "In the past such planning has focused on computer installations. [Now it must deal] with the many aspects of organisational life: management, personnel, insurance, communications, buildings and building services."

However, as the Loughborough University results highlight, the application of broader contingency planning is not widespread. Mr Gibbons says that, apart from a focus on IT, other factors which can make contingency plans less than fully effective include: "Lack of testing or staff training, failure to regularly audit plans to make sure they address changing threats, and too little attention being paid to longer term recovery." Often the initial imperative which pulls an organisation together during a disastrous incident is difficult to sustain after a few months.

An extreme example of plan failure followed the Bishopsgate bomb in the City of London in April 1993. One City firm found that it was unable to implement its contingency plan because the sole copy was in the senior partner's safe in a building within an area cordoned-off by police.

Andrew King, who as director of loss adjusters Thomas Howell Group has first-hand experience of numerous disastrous incidents, notes four implications of such an event: "It arrives suddenly and is unanticipated; it poses novel problems in which the enterprise has little prior experience; failure to respond implies either a critical financial reversal or loss of a significant opportunity; and the response must be urgent and cannot be handled promptly by normal business systems and procedure."

Contingency planning involves developing and implementing systems and procedures to enable that response to be made. It requires high-level commitment. Mr Shaw points out that Safetynet's contingency planning consultancy requires a client to appoint an "executive sponsor" to guarantee its commitment to the project. As MRC's Mr Fleming says: "Contingency planning must have the commitment of the senior management of an organisation. Those involved in a business, who know it best, must formulate their own contingency planning. A consultant cannot do it for them, but can catalyse and help direct the planning process."

Contingency planning involves more than simply writing a plan. Mr Gibbons says: "Four phases are required:

■ Review of hazards facing an organisation, and assessment of their potential business impacts;
■ Development, maintenance, auditing, and testing of the contingency plans;
■ Crisis management – implementation of plans during an incident and its immediate aftermath;
■ Recovery to normal business operations."

It is important that the first two phases are revisited regularly: hazards and their potential impacts will change over time, and contingency plans must evolve in response. As Mr King says: "The plans must be living documents that reflect changes in the business environment." Often the outcome of the planning process will be a series of plans relating to departments or operational areas, managed within the context of an overall strategic plan.

In the event of a crisis developing, the contingency plans will detail the make-up of recovery teams and the tasks that need to be carried out. Employees need to be informed and directed. Key services must be maintained, and alternative or stand-by facilities brought on line where needed. Communication with customers and suppliers is essential, as is handling of the media. In a high profile incident, the reputation of a company may rest on the comments made by spokespersons.

Contingency planning is applicable regardless of the size of an organisation, or its field of business. Numerous sources of advice and assistance are available. Insurers, insurance brokers, risk consultants, loss adjusters, loss assessors, and chartered surveyors all provide consultancy on contingency planning and the use of third-party recovery services.

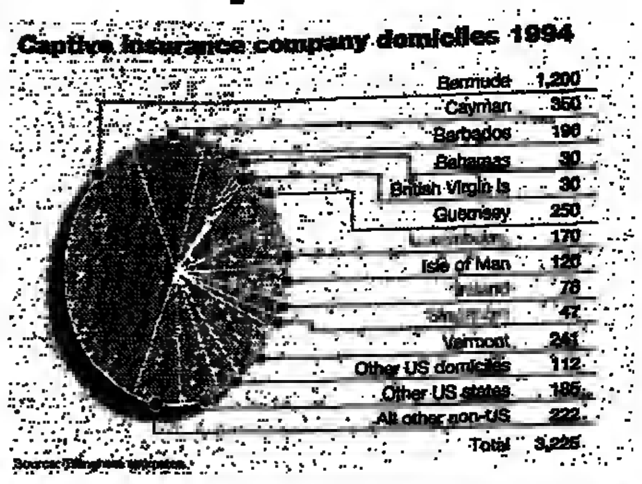
Specialist consultants in the field include: Continuity Planning Associates (CPA), Safetynet, Comdisco Disaster Recovery Services (CDRS), IBM Business Recovery Services, Datashield, Computer Disaster Recovery, MRC, Safetynet, and Stralis among many others. Some provide software products to assist clients with the contingency planning process: RecoveryPAC from CPA, ComPAS from CDRS, Crisis! from Richmond Risk Management, and TRPS from Ai Cambridge, for example.

It is too late to address contingency planning after a crisis has occurred. As Mr King says: "No-one plans to fail, they just fail to plan."

**Simon Reynolds**

■ CAPTIVES

# Bermuda is top domicile




Gone are the days when a risk manager set up a captive during the hard insurance market when rates were high, only to let it rot when the market softened. Gone, too, are the days when a UK risk manager could afford to establish a captive in Bermuda in order to qualify for an annual jaunt to its temperate climate. So where are today's most popular captive domiciles and why?

Bermuda is the favourite among US parents and remains the international king of captive domiciles. Tillinghast Captive Insurance Company Reports lists 1,173 captives in the island to 1993, way ahead of the next in line – the Cayman Islands with 360. Bermuda's registrar of companies, Mr Malcolm Butterfield, has overseen an influx of property catastrophe reinsurance companies over the past 12 months which he believes enhances the reputation of Bermuda's captives. But the island is already overcrowded and Mr Butterfield predicts only moderate growth in captive numbers in the future.

The top 100 UK companies place Bermuda second on their list of domiciles. The Isle of Man tops the list with 24 captives, thanks largely to its proximity to mainland Britain and its established credentials. Guernsey recently changed its tax laws for the benefit of UK parents and comes in third place with 19 captives. Guernsey's proven willingness to accommodate the needs of UK parents make it a captive domicile to watch. According to Tillinghast, it scooped first prize for net gain on the captive register in 1993.

But captive domiciles do not come to and out of vogue like hemlines. "The choice of domicile depends first and foremost on the location of the parent company. Other selection criteria include accessibility, political and economic stability, captive start-up and operating costs and the domicile's regulatory and fiscal regimes," says Mr Roderick Strutt, managing director of Sedgwick Management Services. Wary risk managers also look to the domicile's track record and credibility for support.

"A UK parent will, more often than not, establish a captive in the Isle of Man or Guernsey. A US company automatically heads for Bermuda or the Cayman Islands, the French feel more at home in Luxembourg and the Japanese incline towards Singapore," explains Ms Christine Douse, director of Willis Corroon Europe Limited and the doyenne of the captive community. There are more than 30 listed captive domiciles, from Turks and Caicos to Tennessee, and Ms Douse warns newcomers and hopefuls of the difficulties of gaining a firm foothold to a saturated market. "Malta is currently trying to drum up support, but what can it offer a UK company that is not already available closer to home?" she asks.


Dublin burst into the captive arena in the late 1980s and has drawn 87 captives, only two of which have UK parents, although a UK-parented group captive is in the pipeline. A Dublin captive can apply for a direct writing licence and gain access to the EC insurance market and promoters of the centre proclaim this facility as the way forward.

Mr Paul Cronin, manager of the Financial Services Programme at the Industrial Development Authority of Ireland, says: "It is now part of North American culture that a direct licence in Dublin is the way to cover European risks." Heinz, McDonald's and Coca-Cola bear him out. But a direct licence gets a lukewarm reception to the UK. "UK companies already enjoy purchasing freedom, so a direct licence may be of little benefit. Captives that follow the direct route should also remember that what they save on fees paid to a fronting insurer, they may spend on claims handling and customer service," warns Ms Douse.

US companies are pioneers of the move onshore. Successful locations such as Vermont are tempting risk managers to keep the captive native. Vermont made room for 23 new captives in 1993, including the prestigious Pepsi-Cola, bringing its total to 240.

Mr Crawford Paul, executive director of Willis Corroon Europe Ltd, is enthusiastic about the development but cautions risk managers not to drop their business objectives as they jump on to the bandwagon. "An onshore captive is more expensive to set up and run than an offshore captive. Its licensing and operating procedures are also complex." But an onshore captive eliminates fronting fees and ceding commission and allows the parent

Continued on page 5

■ BOARDROOM ATTITUDES

# Decision-makers grow wary

Although risk management has not yet achieved the recognition in the UK and Europe that it enjoys in North America, its profile is developing fast. As the business climate and attitudes to litigation continue to change, European organisations are realising their vulnerability to factors and situations beyond their immediate control and are turning increasingly to risk management for protection.

The ultimate risk managers of any organisation are the members of the board, but modern business trends such as "just in time", minimising inventories and streamlining production - very often with single source suppliers – have introduced numerous new factors into the risk equation and further complicated the decision-making process. More than ever before, the senior decision-makers require access to all the facts, and not only those which a champion for a new business venture is likely to emphasise.

As a result, a new dynamic role is being created. Increasingly, boards are coming to rely upon their risk managers to supply a "risk profile" of the principal exposures and the perception of the importance of risk management is growing.

This changing perception has been reflected by corresponding changes at Airmic, the UK organisation dedicated to representing the interests of insurance and risk management professionals, which has recently introduced corporate membership. Despite the fact that it has not yet actively marketed the new membership category, the association already has some 80 corporate members, most of which are drawn from the UK's top 200 companies.

The credibility of insurance buyers and risk managers at board level has been much enhanced by Airmic during the past two years, as a result of its drive to fully represent the views of its members to the government and other decision makers. The association has played a crucial role from the outset in the terrorism issue, and has been heavily involved in the debate on equalisation reserves for insurance companies, the imposition of insurance premium tax, environmental considerations, and a number of other technical insurance-related issues.

**The ultimate risk managers are members of the board**

This high profile has earned the association an authoritative position on risk management and insurance issues. It now maintains a regular programme of contact with MPs, the UK's department of trade and industry and other government departments.

Many of Airmic's members are multinational organisations and demand a global view of risk management issues. The association has done much to strengthen relationships with overseas risk management organisations and to ensure that the UK does not become isolated. This is an important consideration in view of the evolution of a single Europe where, with the continuous development of European Union (EU) legislation, risk management organisations share a common interest.

Airmic plays an active role alongside the Association Européenne Des Assurés De L'Industrie (AEAI) which represents the various European risk management societies. This activity is important because it gives Airmic access to a lobbying capability in Brussels, the heart of the EU.

Airmic is also a key member of the International Federation of Insurance and Risk Management Associations (Ifrima), through which it liaises with sister organisations in Europe, North and South America, Australia, South Africa, India and the Far East. Airmic works together on a number of issues with the North American Association Rims which, together with the Public Risk Insurance Management Association (Prima), is a very powerful organisation with significant influence and lobbying capability.

A principal objective of all the risk management associations is to enhance the credibility of the function at the most senior level as any structured risk management approach will work properly only if it is endorsed at this level. The reality is, however, that most risks are encountered at operational level, and this is where the emphasis on control should fall. Risk management is not just about catastrophic events; it is a culture that, like safety and quality, should be imbued throughout the organisation. An important building block is an open-minded review of past experience and significant benefits can be gained from analysis of incidents, both in frequency and cause.

Another important feature of any risk management programme is its risk transfer and insurance arrangements. Many organisations in North America and in Europe are building their risk management structures alongside what used to be the insurance department. The diversity of the function is such that there is unlikely to be any one section of the organisation with a wide enough remit to influence all aspects; however, we believe that the risk management function should operate not in an independent way but as a catalyst, in making sure that a broad perspective is taken of risk situations and co-operative expertise brought to the problems and the board.

**Alan Fleming**

*Director of IC Insurance Ltd and executive director of the Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC)*

# Bermuda is tops

Continued from page 4

to exploit double tax treaties.

Risk managers also use onshore captives as a weapon in their fight for greater parental control. "Captives that write parent company business and spend more than £3m on premiums and companies that write customer insurance programmes – both should take a look at the onshore alternative", advises Mr Paul.

Customer risks are the boom market of the 1990s. In the ceaseless search for new sources of revenue, manufacturers are marketing customer warranty, credit and maintenance and service contracts that are underwritten by a captive. The market breathed a collective sigh of relief when the High Court recently ruled in favour of Thorn EMI and Granada, wiping VAT from service and maintenance contracts and saving them £50m of VAT on insurance premiums for all risks and breakdown cover. According to the latest figures, their onshore captive, Consumer Electronics Insurance, writes an annual premium income of around £17m.

If customer risks are the wunderkind of the 1990s, employee benefits should come into their own as the millennium nears. The gradual erosion of the welfare state has placed the responsibility for life insurance and healthcare firmly on the shoulders of the country's employers, but only a small percentage bring a captive into play on the employee benefits field. The Cayman Islands welcomed their first employee benefits captive in 1993 and Dublin is aggressively marketing its ability to handle employee benefits risks.

Captive domiciles bask in the glory of the parent company country. Bermuda and the Cayman Islands benefit from the size and sophistication of the US market and Guernsey and the Isle of Man owe much of their success to the captive tradition in the UK. Continental Europe has resisted the call of the captive, but there are signs that this is changing. The rise in German insurance rates is motivating a number of companies to consider establishing a captive.

**Naomi Caine**

Profile: HANK GREENBERG

# An extraordinary innovator

"We do try to understand risk. We try to work out plans to manage it successfully," says Hank Greenberg, explaining one of the basic philosophies of American International Group, of which he is chief executive and chairman. "In fact," adds Mr Greenberg, "we welcome new developments of risk in society because it gives us new opportunities".

On the surface this sounds unexceptional. Yet AIG's success in implementing Greenberg's philosophy marks the company off from many of its competitors in both the United States and other insurance markets and has been the basis for the group's success.

By any standards AIG's growth over the past 30 years has been formidable. It has increased its premium income from just $237m in 1968 to nearly $16bn in 1993. And although its market capitalisation base is still smaller than those of Europe's biggest companies, such as Allianz,AIG is much more profitable than most of its rivals with pre-tax profits of $2.6bn in 1993.

How has the success been achieved? For a start, Mr Greenberg keeps an iron grip on costs which can be up to a third lower than some of its competitors. Unlike some of its US rivals AIG has no pretences of maintaining an organisation that can sell all types of insurance products to all types of customers in every US state.

"To believe you have to go into business to protect other businesses is a mistaken judgement or that you have to have a certain market share regardless of results is a mistaken policy," explains Greenberg.

Mercilessly critical of underwriting standards in the US industry, and a policy – commonly followed by many rivals – of compensating insurance losses with investment income, and in recent years by capital gains, Mr Greenberg explains that AIG puts much more emphasis on underwriting profits. "Underwriting is our first business and that is what we judge ourselves on," says Mr Greenberg. Certainly AIG is not frightened of the sudden and exceptional risk. "The market place eliminates one-time big losses but unusual events occur on a frequent basis. It is kind of hard to take them out and say they are not occurring."

Whereas many insurance companies have quit difficult markets such as those offering cover for environmental pollution, AIG has stuck with its customers. "We are in the risk business," says Mr Greenberg. "If we fail to respond to the needs of society or corporate society then we are simply encouraging self-insurance."

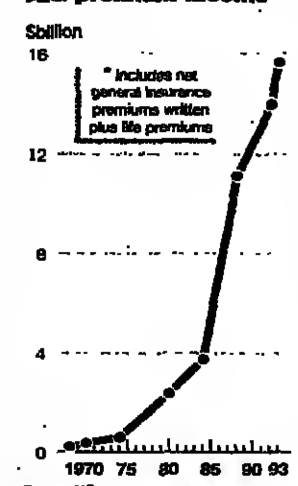
AIG spends heavily on its divisions which "research and develop" new products. "We eagerly seek things out rather than continuing to do just what we did yesterday," adds Mr Greenberg.

This philosophy takes AIG into what many more conservative companies would consider high-risk markets overseas and in the US. AIG, which started as a Shanghai-based underwriting agency in 1919, is now back in China, for example – as the only foreign insurance company licensed to underwrite business.

The achievement at least partially reflects Mr Greenberg's own personal determination. He has visited the country every year since 1975 to maintain contacts. AIG subsidiaries are leading participants in the life insurance markets of south-east Asia and are actively seeking to build up business in eastern Europe. By acquiring an interest of more than 20 per cent in the Robert Plan, a New York-based insurer, which successfully specialises in high risk motor insurance, Mr Greenberg signalled an interest in the crime-ridden markets of inner-urban America, which have been "red-lined" by principal competitors.

Robert Plan makes money in New York by rigorous screening of potential customers and claimants. But nowhere has this philosophy been clearer than in tough commercial risks such as US legal liabilities. During the 1970s, when US insurance companies left the liability insurance market over fears about esclating court awards in product liability and medical malpractice, many corporate buyers were forced to examine self-insurance and risk management for the first time, sometimes setting up captive insurance companies, dedicated insurance subsidiaries.

**AIG premium income***




Source: AIG

Hank Greenberg: "we welcome new developments of risk"

AIG set up a risk management company, which advised companies on captives, helped them administer claims and plan insurance and reinsurance arrangements.

Later in the mid-1980s when the market for liability insurance shrank further, AIG expanded its business, combining with three other companies to offer a basic liability insurance facility to US business. AIG also offers a series of specialist liability insurance products. For example, the AIG subsidiary, National Union Fire of Pittsburg, is a big underwriter of directors and officers insurance – which protects boards and senior management against legal action from creditors and shareholders.

Lexington, another subsidiary, specialises in placing property and liability risks for health care, construction and some other industries, and pioneered insurance products which provide insurance for employers suffering lawsuits alleging discrimination or sexual harassment, especially after the disabilities and civil rights legislation of 1991 and 1992.

One of the principal features of all these products is risk control programmes, which help customers root out practices which would give rise to legal action, reducing AIG's exposure to potential claims. For example, National Union has assembled a national panel of specialist law firms to help clients deal with litigation by shareholders.

AIG's interest in the US liability system has led Mr Greenberg to take a highly visible public stance on environmental laws, which potentially threaten the viability of sections of the insurance industry. Owners or operators of waste sites ordered by the government's environmental agency to clean-up polluted areas under the so-called "superfund" laws, face a bill for billions of dollars. Many are already suing their insurance companies for the bill and – depending on the decisions of many state and federal courts – much of the cost could eventually hit the insurance industry.

Mr Greenberg says AIG's exposure is minimal. "AIG was a very small company in the 1960s and 1970s when many of these sites were created." Nevertheless AIG is pressing for change.

Mr Greenberg says that reform proposals unveiled earlier this year by the Clinton administration are too "convoluted", insufficiently different from the current regime and have little chance of becoming law. He will continue to press for reform to a structure which has become "bizarre" and "hurts economic development".

**Richard Lapper**

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Mar 25 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 25 / Frs.)

[illegible]

DENMARK (Mar 25 / Kr)

[illegible]

FINLAND (Mar 25 / Mka)

[illegible]

FRANCE (Mar 25 / Frs.)

[illegible]

GERMANY (Mar 25 / Dm.)

[illegible]

ITALY (Mar 25 / Lire)

[illegible]

NETHERLANDS (Mar 25 / Fls.)

[illegible]

NORWAY (Mar 25 / Kroner)

[illegible]

SPAIN (Mar 25 / Pts.)

[illegible]

SWEDEN (Mar 25 / Kronor)

[illegible]

SWITZERLAND (Mar 25 / Frs.)

[illegible]

## PACIFIC

JAPAN (Mar 25 / Yen)

[illegible]

HONG KONG (Mar 25 / H.K.$)

[illegible]

MALAYSIA (Mar 25 / MYR)

[illegible]

SINGAPORE (Mar 25 / S$)

[illegible]

AUSTRALIA (Mar 25 / Aust$)

[illegible]

## NORTH AMERICA

CANADA

TORONTO (Mar 25 / Can $) 4 pm close

[illegible]

MONTREAL (Mar 25 / Can $) 4 pm close

[illegible]

## AFRICA

SOUTH AFRICA (Mar 25 / Rand)

[illegible]

*Prices supplied by Telekurs*

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal [illegible]. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Friday, March 25, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 6.8m | 339 | -3 | Fuji Heavy Inds | 3.9m | 410 | -3 |
| Tokyu Corp | 6.2m | 754 | -6 | NKK | 3.7m | 268 | +2 |
| Isuzu Motors | 5.3m | 470 | +3 | Tobu Railway | 3.4m | 680 | |
| Kawasaki Steel | 4.9m | 359 | -6 | Mitsubishi Matl | 3.4m | 518 | +15 |
| Clarion | 4.1m | 575 | -3 | Sumitomo Mtl Ind | 3.3m | 276 | |

## INDICES

| | Mar 25 | Mar 24 | Mar 23 | 1993/4 High | | 1993/4 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General (29/12/77) | 20213.98 | 19825.92 | 20678.24 | 25470.49 | 18/2/94 | 12167.66 | 8/3/93 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2151.6 | 2169.8 | 2180.9 | 2340.60 | 3/2/94 | 1495.60 | 13/1/93 |
| All Mining(1/1/80) | 1049.9 | 1044.8 | 1048.3 | 1136.10 | 3/2/94 | 594.70 | 13/1/93 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 438.12 | 444.67 | 446.17 | 460.69 | 2/2/94 | 300.28 | 14/1/93 |
| Traded Index(2/1/91) | 1132.96 | 1155.69 | 1160.09 | 1222.25 | 1/2/94 | 712.06 | 15/1/93 |
| **Belgium** | | | | | | | |
| BEL20 (1/1/91) | 1401.60 | 1484.49 | 1505.52 | 1542.65 | 9/2/94 | 1125.48 | 4/1/93 |
| **Brazil** | | | | | | | |
| Bovespa (29/12/83) | 14591.8 | 13766.0 | 14157.0 | 14881.00 | 25/3/94 | 71.47 | 4/1/93 |
| **Canada** | | | | | | | |
| Metals Mins♦(1975) | 3742.90 | 3802.51 | 3870.68 | 3879.59 | 18/3/94 | 2743.31 | 21/1/93 |
| Composite♦ (1975) | 4528.29 | 4569.70 | 4609.90 | 4609.90 | 23/3/94 | 3275.80 | 21/1/93 |
| Portfolio§§ (4/1/83) | 2108.52 | 2140.85 | 2156.12 | 2182.88 | 1/2/94 | 1720.87 | 21/1/93 |
| **Chile** | | | | | | | |
| IPGA Gen (31/12/80) | 4233.8 | 4210.2 | 4279.5 | 4867.88 | 4/2/94 | 2812.59 | 10/5/93 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 385.39 | 388.24 | 392.61 | 415.79 | 2/2/94 | 281.90 | 4/1/93 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 1805.7 | 1838.0 | 1841.0 | 1872.00 | 4/3/94 | 843.10 | 22/1/93 |
| **France** | | | | | | | |
| SBF 250 (31/12/90) | 1447.55 | 1452.98 | 1478.41 | 1588.20 | 2/2/94 | 1114.18 | 28/1/93 |
| CAC 40(31/12/87) | 2136.62 | 2152.56 | 2200.17 | 2355.93 | 2/2/94 | 1772.21 | 29/1/93 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 817.86 | 827.87 | 836.72 | 865.67 | 4/1/94 | 598.92 | 14/1/93 |
| Commerzbank(1/12/53) | 2334.78 | 2365.90 | 2362.10 | 2469.00 | 4/1/94 | 1694.30 | 14/1/93 |
| DAX (30/12/87)† | 2130.06 | 2161.88 | 2161.13 | 2267.98 | 3/1/94 | 1516.60 | 13/1/93 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | (c) | 1059.15 | 1088.25 | 1194.58 | 18/1/94 | 667.72 | 5/1/93 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 9234.21 | 9320.75 | 9465.53 | 12201.09 | 4/1/94 | 5437.80 | 4/1/93 |
| **India** | | | | | | | |
| BSE Sens(1979) | 3678.1 | 3861.4 | 3728.8 | 4287.50 | 28/2/94 | 2160.67 | 23/4/93 |
| **Indonesia** | | | | | | | |
| Jakarta Comp(10/8/82) | 490.84 | 494.18 | 486.80 | 612.89 | 5/1/94 | 273.31 | 5/1/93 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 1871.50 | 1896.31 | 1910.69 | 2082.16 | 20/1/94 | 1181.16 | 11/1/93 |
| **Italy** | | | | | | | |
| Banca Comm Ital (1972) | 659.73 | 667.25 | 671.30 | 689.03 | 18/2/94 | 446.33 | 6/1/93 |
| MIB General (4/1/94) | 1063.0 | 1059.0 | 1065.0 | 1102.00 | 18/2/94 | 944.00 | 10/1/94 |
| **Japan** | | | | | | | |
| Nikkei 225 (16/5/49) | 19836.48 | 20007.90 | 19962.10 | 21148.11 | 13/9/93 | 16078.71 | 29/11/93 |
| Nikkei 300 (1/10/82) | 295.18 | 298.34 | 298.52 | 308.84 | 10/11/93 | 249.84 | 29/11/93 |
| Topix (4/1/68) | 1610.35 | 1614.31 | 1614.42 | 1698.67 | 3/9/93 | 1250.08 | 25/1/93 |
| 2nd Section (4/1/68) | 2188.74 | 2180.91 | 2174.21 | 2384.97 | 7/6/93 | 1651.72 | 28/1/93 |
| **Malaysia** | | | | | | | |
| KLSE Comp (4/4/86) | 970.10 | 983.52 | 999.35 | 1314.46 | 5/1/94 | 614.28 | 13/1/93 |
| **Mexico** | | | | | | | |
| IPC (Nov 1978) | 2521.67 | (c) | 2543.57† | 2881.17 | 8/2/94 | 1504.15 | 25/2/93 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 418.9 | 423.0 | 429.6 | 454.90 | 31/1/94 | 298.70 | 4/1/93 |
| CBS All Shr (End 83) | 272.1 | 274.1 | 278.4 | 294.80 | 31/1/94 | 198.60 | 13/1/93 |
| **New Zealand** | | | | | | | |
| Cap. 40 (1/7/86) | 2150.01 | 2174.81 | 2208.72 | 2438.64 | 3/2/94 | 22.00 | 22/2/94 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1139.44 | 1151.10 | 1159.44 | 1211.10 | 28/2/94 | 669.93 | 27/1/93 |
| **Philippines** | | | | | | | |
| Manila Comp (2/1/85) | 2631.07 | 2601.37 | 2603.06 | 3308.37 | 4/1/94 | 1279.06 | 4/1/93 |
| **Portugal** | | | | | | | |
| BTA (1977) | 3153.1 | 3154.7 | 3154.8 | 3228.60 | 18/2/94 | 1808.20 | 14/1/93 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 533.94 | 543.84 | 549.15 | 641.61 | 4/1/94 | 394.10 | 13/1/93 |
| **South Africa** | | | | | | | |
| JSE Gold (28/9/78) | 2215.0♥ | 2209.0 | 2124.0 | 2331.50 | 4/1/94 | 775.80 | 5/1/93 |
| JSE Ind. (28/9/78) | 5669.0♥ | 5974.0 | 5949.0 | 6140.00 | 19/2/94 | 4333.00 | 19/4/93 |
| **South Korea** | | | | | | | |
| KoreaCmpEx(4/1/80)** | 866.03 | 875.72 | 879.78 | 974.28 | 2/2/94 | 605.93 | 6/3/93 |
| **Spain** | | | | | | | |
| Madrid SE (30/12/85) | 329.39 | 330.58 | 335.36 | 359.31 | 31/1/94 | 215.80 | 4/1/93 |
| **Sweden** | | | | | | | |
| AffarsvaldsGen (1/2/37) | 1438.60 | 1465.80 | 1482.60 | 1603.80 | 31/1/94 | 878.10 | 28/1/93 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind (31/12/58) | 1332.68 | 1337.70 | 1342.55 | 1422.34 | 31/1/94 | 904.80 | 11/1/93 |
| SBC General (1/4/87) | 993.79 | 998.83 | 1002.21 | 1003.29 | 31/1/94 | 678.70 | 11/1/93 |
| **Taiwan** | | | | | | | |
| WeightedPr.(30/6/66)** | 5352.57 | 5326.99 | 5331.27 | 6484.52 | 6/1/94 | 3098.43 | 9/1/93 |
| **Thailand** | | | | | | | |
| Bangkok SET (30/4/75) | 1280.07 | 1286.81 | 1286.44 | 1753.73 | 4/1/94 | 818.84 | 1/8/93 |
| **Turkey** | | | | | | | |
| Istanbul Cmp.(Jan 1986) | 13538.1 | 12980.7 | 13687.1 | 20083.80 | 13/1/94 | 3855.53 | 1/1/93 |
| **WORLD** | | | | | | | |
| MS Capital Int (1/1/70)$ | 614.9* | 613.7 | 617.2 | 641.00 | 1/2/94 | 468.80 | 13/1/93 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1412.49 | 1425.41 | 1445.73 | 1540.19 | 31/1/94 | 1063.02 | 13/1/93 |
| Euro Top-100 (26/6/90) | 1217.62 | 1224.96 | 1236.04 | 1311.01 | 2/2/94 | 982.73 | 13/1/93 |
| JCapelDrgns (31/12/88) | (u) | 307.04 | 309.90 | 395.19 | 5/1/94 | 188.92 | 4/1/93 |
| Barings Emerg.(7/1/92) | 159.12 | 160.68 | 158.96 | 182.72 | 14/2/94 | 88.61 | 4/2/93 |

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 2160.0 | 2137.0 | -26.0 | 2169.0 | 2112.0 | 36,163 | 30,049 |
| Apr | 2168.5 | 2147.5 | -26.0 | 2179.0 | 2124.0 | 4,905 | 9,105 |
| May | 2172.0 | 2151.0 | -26.0 | 2172.0 | 2139.0 | 41 | 6,795 |

Open interest figures for previous day.

** Sat Mar 19: Taiwan Weighted Price 5194.63, Korea Comp Ex 863.99. Base values of all indices are 100 except Australia All Ordinary and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000, JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours Index: Mar 20 - 2144.00 -0.36

## US INDICES

| Dow Jones | Mar 25 | Mar 24 | Mar 23 | 1993/4 High | 1993/4 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3775.02 | 3821.09 | 3869.46 | 3978.36 (31/1/94) | 3241.95 (20/1/93) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 101.68 | 101.74 | 101.92 | 108.77 (18/10/93) | 101.68 (25/3/94) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1714.86 | 1706.03 | 1725.01 | 1862.29 (2/2/94) | 1453.84 (4/1/93) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 202.15 | 204.06 | 206.50 | 256.46 (31/8/93) | 202.15 (25/3/94) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3846.65 (3885.42) Low 3754.66 (3792.56) (Theoretical♣)
Day's high 3826.85 (3869.46) Low 3760.78 (3803.53) (Actual♣)

| Standard and Poors | Mar 25 | Mar 24 | Mar 23 | 1993/4 High | 1993/4 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 460.58 | 464.35 | 468.54 | 482.00 (2/2/94) | 429.05 (8/1/93) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials♥ | 539.59 | 544.30 | 549.57 | 556.59 (2/2/94) | 496.46 (26/4/93) | 556.59 (2/2/94) | 3.62 (21/6/32) |
| Financial | 43.65 | 43.75† | 44.06 | 48.49 (28/9/93) | 39.88 (8/1/93) | 48.49 (28/9/93) | 8.64 (1/10/74) |
| NYSE Comp. | 256.29 | 257.96 | 260.28 | 267.71 (2/2/94) | 236.21 (8/1/93) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 468.43 | 469.66 | 473.38 | 487.50 (2/2/94) | 395.84 (8/1/93) | 487.50 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Comp | 783.45 | 786.86 | 797.51 | 803.93 (18/3/94) | 645.87 (26/4/93) | 803.93 (18/3/94) | 54.87 (31/10/72) |

■ RATIOS

| | Mar 18 | Mar 11 | Mar 4 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.62 | 2.61 | 2.62 | 2.95 |
| | Mar 23 | Mar 16 | Mar 9 | Year ago |
| S & P Ind. Div. yield | 2.39 | 2.37 | 2.37 | 2.49 |
| S & P Ind. P/E ratio | 24.83 | 24.58 | 24.53 | 26.13 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 464.70 | 459.95 | -5.15 | 466.50 | 459.80 | 67,650 | 180,737 |
| Sep | 467.70 | 461.95 | -5.10 | 468.50 | 461.90 | 1,009 | 5,294 |
| Dec | 469.80 | 464.40 | -5.05 | 470.65 | 464.40 | 50 | 4,468 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Telefonos | 6,918,400 | 62½ | +2¾ |
| Chrysler | 4,691,800 | 53⅝ | -2⅝ |
| IBM | 2,977,800 | 53⅜ | -2⅛ |
| Limited | 2,408,600 | 22 | -¼ |
| Gen Motors | 2,344,400 | 57 | -1⅛ |
| KLM | 2,100,200 | 23⅝ | +⅛ |
| Am Barrick | 2,105,700 | 28⅛ | +⅜ |
| Citicorp | 2,089,700 | 37⅛ | -⅜ |
| Blockbuster | 2,073,200 | 27¼ | +1⅛ |
| Merck | 2,051,300 | 30⅝ | +⅛ |

■ TRADING ACTIVITY

● Volume (million)

| | Mar 25 | Mar 24 | Mar 23 |
|---|---|---|---|
| New York SE | 249.632 | 303.742 | 178.483 |
| Amex | 15.248 | 16.513 | 20.341 |
| NASDAQ | (u) | 373.500 | 334.155 |
| **NYSE** | | | |
| Issues Traded | 2,728 | 2,781 | 2,747 |
| Rises | 848 | 520 | 1,151 |
| Falls | 1,197 | 1,729 | 956 |
| Unchanged | 685 | 532 | 640 |
| New Highs | 34 | 32 | 85 |
| New Lows | 88 | 120 | 41 |

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Thornton Unit Managers Ltd (1200)F

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

## OTHER UK UNIT TRUSTS

## INSURANCES

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Access Life Assurance Ltd

Canada Life Group

Century Life Plc

Eagle Star Life Assurance Co Ltd

Henderson Administration - Contd.

Hill Samuel Life Assur. Ltd

Lincoln National - Contd.

NPI

Providence Capital Life Assc. Co Ltd - Contd.

President Life Assce Ltd

Prudential Life Assce Ltd/Investco

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Scottish Amicable

Standard Life Assurance Company

Windsor Life Assur Co Ltd

Providence Capital International Ltd - Contd.

Fidelity Money Funds - Contd.

## GUERNSEY (REGULATED)(**)

Prolific International Fund Plc

AXA Equity & Law Intl Fund Mgs

Appleton Financial Advisors Ltd

## OFFSHORE INSURANCES

## GUERNSEY (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## IRELAND (SIB RECOGNISED)

## MANAGEMENT SERVICES

## JERSEY (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

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## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

# CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

| Mar 25 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.5299 | -0.0852 | 221 - 377 | 17.6752 | 17.5021 | 17.5281 | 0.3 | 17.5205 | 0.2 | - | - | 114.5 |
| Belgium | (BFr) | 51.4846 | -0.1061 | 508 - 183 | 51.6200 | 51.3867 | 51.5296 | -1.0 | 51.6046 | -0.8 | 51.8046 | -0.6 | 115.4 |
| Denmark | (DKr) | 9.8465 | +0.0103 | 404 - 525 | 9.8525 | 9.7986 | 9.8555 | -1.1 | 9.8702 | -1.0 | 9.905 | -0.6 | 114.8 |
| Finland | (FM) | 8.3388 | +0.0486 | 281 - 495 | 8.3660 | 8.2580 | - | - | - | - | - | - | 80.3 |
| France | (FFr) | 8.5598 | +0.0109 | 544 - 652 | 8.5852 | 8.5170 | 8.5691 | -1.3 | 8.5845 | -1.2 | 8.6095 | -0.6 | 108.3 |
| Germany | (DM) | 2.4978 | +0.0007 | 964 - 991 | 2.5020 | 2.4865 | 2.499 | -0.6 | 2.5007 | -0.5 | 2.5029 | -0.2 | 124.0 |
| Greece | (Dr) | 365.303 | -0.109 | 843 - 763 | 367.606 | 364.889 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0395 | +0.002 | 385 - 404 | 1.0416 | 1.0374 | 1.0404 | -1.0 | 1.0419 | -0.9 | 1.0482 | -0.8 | 102.8 |
| Italy | (L) | 2470.16 | -9.38 | 894 - 137 | 2486.89 | 2471.55 | 2477.48 | -3.5 | 2490.26 | -3.3 | 2541.01 | -2.9 | 76.0 |
| Luxembourg | (LFr) | 51.4846 | -0.1061 | 508 - 183 | 51.6200 | 51.3867 | 51.5296 | -1.0 | 51.6048 | -0.9 | 51.8048 | -0.6 | 115.4 |
| Netherlands | (Fl) | 2.8085 | -0.0026 | 071 - 099 | 2.8181 | 2.7985 | 2.8092 | -0.3 | 2.81 | -0.2 | 2.8064 | 0.1 | 118.6 |
| Norway | (NKr) | 10.8737 | +0.0066 | 689 - 785 | 10.9088 | 10.8315 | 10.8681 | 0.8 | 10.8806 | -0.3 | 10.8716 | 0.0 | 95.3 |
| Portugal | (Es) | 258.096 | +0.035 | 801 - 371 | 258.371 | 256.565 | 259.061 | -4.5 | 261.006 | -4.5 | - | - | - |
| Spain | (Pta) | 205.488 | +0.2 | 402 - 573 | 205.685 | 204.789 | 206.068 | -3.4 | 207.073 | -3.1 | 210.888 | -2.6 | 85.3 |
| Sweden | (SKr) | 11.8202 | +0.0568 | 116 - 288 | 11.9084 | 11.7138 | 11.8402 | -2.0 | 11.8757 | -1.5 | 11.9847 | -1.4 | 75.9 |
| Switzerland | (SFr) | 2.1239 | +0.0004 | 229 - 249 | 2.1268 | 2.1163 | 2.1221 | 1.0 | 2.1178 | 1.1 | 2.0923 | 1.5 | 118.1 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 80.2 |
| Ecu | - | 1.2979 | -0.0004 | 971 - 986 | 1.2999 | 1.2939 | 1.2994 | -1.4 | 1.3018 | -1.2 | 1.3062 | -0.6 | - |
| SDR† | - | 0.837899 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.4977 | +0.0049 | 972 - 981 | 1.5022 | 1.4929 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 1293.89 | +26.28 | 358 - 420 | 1299.00 | 1286.00 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.0587 | +0.0085 | 578 - 595 | 2.0694 | 2.0503 | 2.0572 | 0.9 | 2.0563 | 0.5 | 2.0517 | -0.1 | 97.5 |
| Mexico | (New Peso) | 5.0229 | +0.0512 | 153 - 305 | 5.0329 | 4.5792 | - | - | - | - | - | - | - |
| USA | ($) | 1.4975 | +0.0045 | 971 - 978 | 1.5035 | 1.4930 | 1.4954 | 1.7 | 1.492 | 1.5 | 1.4835 | 0.8 | 65.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.1063 | +0.009 | 050 - 075 | 2.1257 | 2.1060 | 2.1048 | 0.5 | 2.1024 | 0.7 | 2.1005 | 0.3 | - |
| Hong Kong | (HK$) | 11.5689 | +0.0355 | 654 - 723 | 11.6145 | 11.5345 | 11.5559 | 1.3 | 11.5504 | 0.8 | 11.5014 | 0.6 | - |
| India | (Rs) | 46.9894 | +0.1358 | 528 - 860 | 47.1540 | 46.8390 | - | - | - | - | - | - | - |
| Japan | (Y) | 156.836 | -1.833 | 746 - 925 | 158.020 | 156.480 | 156.476 | 2.8 | 155.746 | 2.8 | 152.571 | 2.7 | 185.2 |
| Malaysia | (M$) | 4.0656 | -0.0006 | 631 - 680 | 4.0797 | 4.0527 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.6455 | +0.0093 | 432 - 477 | 2.6521 | 2.6338 | 2.6484 | -1.3 | 2.6527 | -1.1 | 2.6613 | -0.6 | - |
| Philippines | (Peso) | 41.2923 | +0.1227 | 205 - 640 | 41.5640 | 41.0205 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.6157 | +0.0168 | 140 - 173 | 5.6380 | 5.5992 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3627 | -0.0026 | 614 - 640 | 2.3825 | 2.3606 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.1561 | +0.0217 | 538 - 584 | 5.1758 | 5.1108 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 7.0493 | +0.1068 | 401 - 584 | 7.0702 | 6.9723 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1211.61 | +5.39 | 115 - 247 | 1216.33 | 1205.49 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 39.5477 | +0.1324 | 384 - 569 | 39.7100 | 39.4400 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 37.8161 | +0.0377 | 016 - 344 | 37.9630 | 37.7580 | - | - | - | - | - | - | - |

†SDR rate for Mar 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Mar 25 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.7065 | -0.0785 | 040 - 090 | 11.7600 | 11.6860 | 11.7275 | -2.2 | 11.754 | -1.5 | 11.7575 | -0.4 | 103.5 |
| Belgium | (BFr) | 34.3815 | -0.1735 | 670 - 960 | 34.5030 | 34.2750 | 34.4615 | -2.6 | 34.5765 | -2.3 | 34.8415 | -1.3 | 104.4 |
| Denmark | (DKr) | 6.5755 | -0.0127 | 730 - 780 | 6.5817 | 6.5428 | 6.5927 | -3.1 | 6.6147 | -2.4 | 6.6595 | -1.3 | 103.6 |
| Finland | (FM) | 5.5687 | +0.015 | 628 - 746 | 5.5903 | 5.5110 | 5.5745 | -1.2 | 5.579 | -0.7 | 5.5867 | -0.3 | 75.5 |
| France | (FFr) | 5.7163 | -0.0097 | 140 - 195 | 5.7190 | 5.6875 | 5.7297 | -2.8 | 5.7522 | -2.5 | 5.7921 | -1.3 | 104.9 |
| Germany | (D) | 1.6680 | -0.0046 | 675 - 685 | 1.6713 | 1.6595 | 1.6711 | -2.3 | 1.676 | -1.9 | 1.6824 | -0.9 | 105.5 |
| Greece | (Dr) | 243.950 | -0.6 | 700 - 200 | 244.650 | 243.900 | 247.95 | -15.2 | 254.8 | -17.5 | 283.7 | -16.3 | 71.1 |
| Ireland | (I£) | 1.4406 | +0.0015 | 396 - 416 | 1.4462 | 1.4364 | 1.4374 | 2.7 | 1.433 | 2.1 | 1.4191 | 1.5 | - |
| Italy | (L) | 1649.58 | -11.2 | 915 - 000 | 1662.75 | 1646.25 | 1657.09 | -5.5 | 1668.58 | -4.6 | 1709.33 | -3.8 | 76.2 |
| Luxembourg | (LFr) | 34.3815 | -0.1735 | 670 - 960 | 34.5030 | 34.2750 | 34.4615 | -2.8 | 34.5765 | -2.3 | 34.8415 | -1.3 | 104.4 |
| Netherlands | (Fl) | 1.8755 | -0.0073 | 750 - 760 | 1.8802 | 1.8676 | 1.8787 | -2.1 | 1.8825 | -1.5 | 1.8875 | -0.6 | 104.1 |
| Norway | (NKr) | 7.2815 | -0.0172 | 500 - 630 | 7.2900 | 7.2335 | 7.2715 | -1.7 | 7.2952 | -1.3 | 7.3005 | -0.5 | 95.4 |
| Portugal | (Es) | 172.350 | -0.49 | 200 - 500 | 172.550 | 171.100 | 173.39 | -7.2 | 174.85 | -5.8 | 180.075 | -4.5 | 93.2 |
| Spain | (Pta) | 137.225 | -0.275 | 200 - 250 | 137.320 | 136.750 | 137.825 | -5.2 | 138.745 | -4.4 | 141.855 | -3.4 | 80.7 |
| Sweden | (SKr) | 7.8936 | +0.0148 | 898 - 973 | 7.9543 | 7.8193 | 7.9206 | -4.1 | 7.9684 | -3.8 | 8.0636 | -2.2 | 81.5 |
| Switzerland | (SFr) | 1.4184 | -0.0039 | 180 - 187 | 1.4225 | 1.4130 | 1.4193 | -0.7 | 1.4194 | -0.3 | 1.4104 | 0.6 | 104.5 |
| UK | (£) | 1.4975 | +0.0045 | 971 - 978 | 1.5035 | 1.4930 | 1.4954 | 1.7 | 1.492 | 1.5 | 1.4835 | 0.8 | 88.8 |
| Ecu | - | 1.1536 | +0.0038 | 534 - 542 | 1.1583 | 1.1509 | 1.1509 | 3.1 | 1.1466 | 2.4 | 1.1389 | 1.3 | - |
| SDR† | - | 1.40019 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.0002 | +0.0003 | 002 - 001 | 1.0002 | 1.0000 | - | - | - | - | - | - | - |
| Brazil | (Cr) | 864.065 | +15.032 | 060 - 070 | 864.070 | 864.060 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3746 | +0.0016 | 745 - 750 | 1.3775 | 1.3720 | 1.3755 | -0.6 | 1.3776 | -0.8 | 1.3864 | -0.8 | 84.0 |
| Mexico | (New Peso) | 3.3543 | +0.0243 | 500 - 586 | 3.3486 | 3.3588 | 3.3553 | -0.4 | 3.3571 | -0.3 | 3.3645 | -0.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 100.9 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.4066 | -0.0022 | 061 - 071 | 1.4205 | 1.4055 | 1.4078 | -1.1 | 1.4125 | -1.7 | 1.4231 | -1.2 | 86.9 |
| Hong Kong | (HK$) | 7.7257 | +0.0007 | 252 - 262 | 7.7262 | 7.7250 | 7.7287 | -0.5 | 7.7347 | -0.5 | 7.7594 | -0.4 | - |
| India | (Rs) | 31.3663 | -0.0026 | 625 - 700 | 31.3700 | 31.3625 | 31.4313 | -2.5 | 31.5663 | -2.6 | - | - | - |
| Japan | (Y) | 104.735 | -1.54 | 700 - 770 | 105.470 | 104.510 | 104.63 | 1.2 | 104.32 | 1.6 | 102.485 | 2.1 | 145.1 |
| Malaysia | (M$) | 2.7150 | -0.0085 | 140 - 160 | 2.7217 | 2.7090 | 2.708 | 6.1 | 2.6925 | 3.3 | 2.755 | -1.5 | - |
| New Zealand | (NZ$) | 1.7666 | +0.0009 | 655 - 677 | 1.7683 | 1.7621 | 1.7678 | -0.8 | 1.7723 | -1.3 | 1.7942 | -1.6 | - |
| Philippines | (Peso) | 27.5750 | - | 000 - 500 | 27.7500 | 27.4000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7502 | +0.0001 | 499 - 504 | 3.7504 | 3.7499 | 3.7509 | -0.2 | 3.7532 | -0.3 | 3.7647 | -0.4 | - |
| Singapore | (S$) | 1.5778 | -0.0085 | 773 - 783 | 1.5815 | 1.5773 | 1.5772 | 0.5 | 1.5767 | 0.3 | 1.5753 | 0.2 | - |
| S Africa (Com.) | (R) | 3.4433 | +0.0043 | 425 - 440 | 3.4473 | 3.4227 | 3.4598 | -5.8 | 3.4858 | -4.9 | 3.5788 | -3.9 | - |
| S Africa (Fin.) | (R) | 4.7075 | +0.0575 | 025 - 125 | 4.7150 | 4.6725 | 4.7415 | -8.7 | 4.8015 | -8.0 | - | - | - |
| South Korea | (Won) | 809.250 | +1.2 | 000 - 500 | 809.500 | 808.400 | 812.25 | -4.4 | 816.75 | -3.2 | 834.25 | -3.1 | - |
| Taiwan | (T$) | 26.4100 | +0.01 | 100 - 100 | 26.4100 | 26.4000 | 26.4755 | -3.0 | 26.578 | -2.5 | - | - | - |
| Thailand | (Bt) | 25.2550 | -0.05 | 500 - 600 | 25.2700 | 25.2600 | 25.335 | -3.6 | 25.46 | -3.2 | 25.98 | -2.8 | - |

†SDR rate for Mar 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 24 Base average 1990=100

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Mar 25 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.13 | 16.93 | 4.852 | 2.020 | 4798 | 5.456 | 21.11 | 301.4 | 399.2 | 22.65 | 4.126 | 1.943 | 4.000 | 2.810 | 304.6 | 2.521 |
| Denmark | (DKr) | 52.28 | 10 | 8.692 | 2.537 | 1.056 | 2508 | 2.853 | 11.04 | 262.1 | 208.7 | 12.00 | 2.157 | 1.016 | 2.091 | 1.521 | 159.2 | 1.316 |
| France | (FFr) | 60.15 | 11.50 | 10 | 2.919 | 1.216 | 2886 | 3.282 | 12.70 | 301.6 | 240.1 | 13.81 | 2.482 | 1.168 | 2.406 | 1.750 | 183.2 | 1.517 |
| Germany | (DM) | 20.61 | 3.942 | 3.426 | 1 | 0.416 | 988.8 | 1.124 | 4.351 | 103.3 | 82.27 | 4.732 | 0.850 | 0.400 | 0.824 | 0.600 | 62.77 | 0.520 |
| Ireland | (I£) | 49.50 | 9.468 | 8.230 | 2.402 | 1 | 2375 | 2.701 | 10.45 | 248.2 | 197.6 | 11.37 | 2.042 | 0.962 | 1.980 | 1.440 | 150.8 | 1.248 |
| Italy | (L) | 2.084 | 0.399 | 0.347 | 0.101 | 0.042 | 100. | 0.114 | 0.440 | 10.45 | 8.320 | 0.479 | 0.086 | 0.040 | 0.083 | 0.061 | 6.348 | 0.053 |
| Netherlands | (Fl) | 18.33 | 3.506 | 3.047 | 0.889 | 0.370 | 678.3 | 1 | 3.870 | 91.88 | 73.16 | 4.208 | 0.758 | 0.356 | 0.733 | 0.533 | 55.82 | 0.462 |
| Norway | (NKr) | 47.36 | 9.059 | 7.874 | 2.298 | 0.957 | 2272 | 2.584 | 10 | 237.4 | 189.1 | 10.87 | 1.954 | 0.920 | 1.894 | 1.378 | 144.3 | 1.194 |
| Portugal | (Es) | 19.95 | 3.815 | 3.316 | 0.968 | 0.403 | 957.0 | 1.088 | 4.212 | 100. | 79.62 | 4.580 | 0.823 | 0.387 | 0.798 | 0.580 | 60.75 | 0.503 |
| Spain | (Pta) | 25.05 | 4.792 | 4.165 | 1.216 | 0.506 | 1202 | 1.367 | 5.290 | 125.6 | 100. | 5.752 | 1.034 | 0.487 | 1.002 | 0.729 | 76.30 | 0.632 |
| Sweden | (SKr) | 43.55 | 8.331 | 7.241 | 2.113 | 0.880 | 2090 | 2.376 | 8.196 | 218.4 | 173.9 | 10 | 1.767 | 0.846 | [illegible] | [illegible] | [illegible] | 1.098 |
| Switzerland | (SFr) | 24.24 | 4.638 | 4.030 | 1.178 | 0.490 | 1163 | 1.323 | 5.116 | 121.5 | 96.75 | 5.565 | 1 | 0.471 | [illegible] | [illegible] | [illegible] | 0.611 |
| UK | (£) | 51.48 | 9.947 | 8.559 | 2.498 | 1.040 | 2470 | 2.809 | 10.87 | 258.1 | 205.5 | 11.82 | 2.124 | 1 | [illegible] | [illegible] | [illegible] | 1.298 |
| Canada | (C$) | 25.00 | 4.782 | 4.167 | 1.213 | 0.505 | 1200 | 1.364 | 5.278 | 125.4 | 99.81 | 5.741 | 1.032 | 0.486 | [illegible] | [illegible] | [illegible] | 0.630 |
| US | ($) | 34.37 | 6.573 | 5.714 | 1.669 | 0.694 | 1649 | 1.876 | 7.256 | 172.3 | 137.2 | 7.891 | 1.416 | 0.668 | [illegible] | [illegible] | [illegible] | 0.866 |
| Japan | (Y) | 328.3 | 62.80 | 54.59 | 15.93 | 6.633 | 15753 | 17.91 | 69.32 | 1646 | 1311 | 75.38 | 13.55 | 6.378 | [illegible] | [illegible] | [illegible] | 8.278 |
| Ecu | | 39.66 | 7.586 | 6.594 | 1.924 | 0.801 | 1903 | 2.164 | 8.374 | 198.8 | 158.3 | 9.106 | 1.636 | 0.770 | [illegible] | [illegible] | [illegible] | 1 |

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

**■ D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.5979 | 0.5977 | +0.0008 | 0.6000 | 0.5958 | 64,003 | 101,728 |
| Sep | 0.5973 | 0.5959 | +0.0008 | 0.5980 | 0.5948 | 326 | 2,577 |
| Dec | - | 0.5952 | +0.0008 | 0.5963 | - | 6 | 115 |

**■ SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.7041 | 0.7051 | +0.0005 | 0.7071 | 0.7030 | 27,693 | 38,950 |
| Sep | 0.7060 | 0.7059 | +0.0005 | 0.7080 | 0.7040 | 16 | 266 |
| Dec | - | 0.7075 | +0.0005 | 0.7080 | 0.7060 | 3 | 45 |

**■ JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.9590 | 0.9573 | -0.0016 | 0.9599 | 0.9518 | 37,584 | 48,643 |
| Sep | 0.9632 | 0.9625 | -0.0016 | 0.9646 | 0.9602 | 308 | 1,907 |
| Dec | - | 0.9682 | -0.0018 | 0.9685 | 0.9682 | 76 | 386 |

**■ STERLING FUTURES** (IMM) £62,500 per £

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.4932 | 1.4934 | +0.0012 | 1.4990 | 1.4894 | 14,515 | 25,927 |
| Sep | - | 1.4894 | +0.0004 | 1.4950 | 1.4880 | 15 | 628 |
| Dec | - | 1.4866 | -0.0006 | 1.4920 | - | 15 | 33 |

**■ PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Apr | CALLS May | CALLS Jun | PUTS Apr | PUTS May | PUTS Jun |
|---|---|---|---|---|---|---|
| 1.400 | 9.66 | 9.51 | 9.49 | - | 0.01 | 0.15 |
| 1.425 | 7.23 | 7.20 | 7.91 | - | 0.13 | 0.40 |
| 1.450 | 4.80 | 5.02 | 5.29 | 0.03 | 0.43 | 0.86 |
| 1.475 | 2.61 | 3.14 | 3.57 | 0.33 | 1.05 | 1.62 |
| 1.500 | 1.04 | 1.77 | 2.27 | 1.21 | 2.11 | 2.70 |
| 1.525 | 0.28 | 0.87 | 1.33 | 2.88 | 3.65 | 4.24 |

Previous day's vol., Calls 14,843 Puts 9,481. Prev. day's open int., Calls 530,852 Puts 436,154

## UK INTEREST RATES

### LONDON MONEY RATES

| Mar 25 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 5½ - 4¾ | 5¼ - 5⅛ | 5⅜ - 5¼ | [illegible] | [illegible] | [illegible] - 5¾ |
| Sterling CDs | - | - | 5¼ - 5⅛ | [illegible] | [illegible] | [illegible] - 5½ |
| Treasury Bills | - | - | 5 - 4⅞ | [illegible] | [illegible] | - |
| Bank Bills | - | - | 5 - 4⅞ | [illegible] | [illegible] | - |
| Local authority deps. | 5⅜ - 5¼ | 5½ - 5⅜ | 5⅛ - 5⅛ | [illegible] | [illegible] | [illegible] - 5⅜ |
| Discount market deps. | 5¾ - 5¼ | 5⅛ - 5 | - | - | - | - |

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 1½ | 4 | 3¾ | 3¾ | 3½ |

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc. Ave. tender rate of discount 4.8058pc. ECGD fixed rate Stg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Scheme III 6.59pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.265pc. Finance House Base Rate 5½pc from Mar 1, 1994

### BANK OF ENGLAND TREASURY BILL TENDER

| | Mar 25 | Mar 18 |
|---|---|---|
| Bills on offer | £200m | £200m |
| Total of applications | £711m | £671m |
| Total allocated | £200m | £200m |
| Min. accepted bid | £98.770 | £98.800 |
| Allotment at min. level | 62% | 75% |

| | Mar 25 | Mar 18 |
|---|---|---|
| Top accepted rate | 4.9335% | 4.8132% |
| Ave. rate of discount | 4.9006% | 4.8058% |
| Average yield | 4.9809% | 4.8626% |
| Offer at next tender | £200m | £200m |
| Min. accept. bid 182 days | - | - |

**FT GUIDE to WORLD CURRENCIES**

The FT Guide to World Currencies table can be found on page 19 in today's edition.

**■ Pound in New York**

| Mar 24 | Close | Prev. close |
|---|---|---|
| £ spot | 1.4975 | 1.4925 |
| 1 mth | 1.4966 | 1.4955 |
| 3 mth | 1.4931 | 1.4924 |
| 1 yr | 1.4841 | 1.4832 |

## FIXED INTEREST RATES

### MONEY RATES

| March 25 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | - | 6⅝ | 6⅝ | 6⅛ | 6⅛ | 7.40 | 5.00 | - |
| week ago | - | 6⅝ | 6½ | 6⅛ | 6⅛ | 7.40 | 5.00 | - |
| France | 6¾ | 6¼ | 6¼ | 6⅛ | 6 | 8.00 | - | 7.75 |
| week ago | 6⅝ | 6¼ | 6¼ | 6⅛ | 5⅞ | 8.10 | - | 7.75 |
| Germany | 5.70 | 5.80 | 5.75 | 5.60 | 5.43 | 6.75 | 5.25 | 5.80 |
| week ago | 5.75 | 5.80 | 5.75 | 5.58 | 5.38 | 6.75 | 5.25 | 5.88 |
| Ireland | 6⅛ | 6 | 6 | 6 | 6 | - | - | 6.75 |
| week ago | 6⅛ | 6 | 6⅛ | 6⅛ | 6⅛ | - | - | 6.75 |
| Italy | 8⅝ | 8½ | 8½ | 8½ | 8½ | - | 8.00 | 8.92 |
| week ago | 8⅝ | 8½ | 8⅝ | 8⅝ | 8⅝ | - | 8.00 | 8.92 |
| Netherlands | 5.53 | 5.54 | 5.41 | 5.38 | 5.36 | - | 5.25 | - |
| week ago | 5.53 | 5.54 | 5.29 | 5.16 | 5.16 | - | 5.25 | - |
| Switzerland | 4½ | 4¼ | 4⅛ | 4⅛ | 4⅛ | 6.625 | 4.00 | - |
| week ago | 4 | 4¼ | 4⅛ | 4 | 3⅞ | 6.625 | 4.00 | - |
| US | 3⅞ | 3⅝ | 3⅞ | 4⅛ | 4⅝ | - | 3.00 | - |
| week ago | 3¼ | 3⅝ | 3⅞ | 4⅛ | 4⅜ | - | 3.00 | - |
| Japan | 2⅛ | 2⅛ | 2⅛ | 2⅛ | 2⅛ | - | 1.75 | - |
| week ago | 2⅛ | 2⅛ | 2⅛ | 2⅛ | 2⅛ | - | 1.75 | - |
| **■ $ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 3⅞ | 3⅞ | 4⅛ | 4⅝ | - | - | - |
| week ago | - | 3⅝ | 3⅞ | 4⅛ | 4⅝ | - | - | - |
| US Dollar CDs | - | 3.41 | 3.66 | 3.99 | 4.44 | - | - | - |
| week ago | - | 3.41 | 3.64 | 3.92 | 4.31 | - | - | - |
| SDR Linked Ds | - | 3⅝ | 3¾ | 3¾ | 4 | - | - | - |
| week ago | - | 3⅝ | 3⅝ | 3⅞ | 4 | - | - | - |

ECU Linked Ds mid rates: 1 mth: 6⅜; 3 mths: 6⅛; 6 mths: 6⅛; 1 year: 6. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Mar 25 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 6⅞ - 6⅝ | 6⅞ - 6⅝ | 6¼ - 6⅛ | 6⅛ - 6⅛ | 6⅛ - 6 | 6⅛ - 6 |
| Danish Krone | 6½ - 6¼ | 6½ - 6¼ | 6⅛ - 6 | 6⅜ - 9 | 6¼ - 6 | 6 - 5¾ |
| D-Mark | 5⅞ - 5¾ | 5⅞ - 5¾ | 5⅞ - 5¾ | 5¾ - 5⅝ | 5⅝ - 5½ | 5⅝ - 5½ |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portuguese Esc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Swiss Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Can. Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| US Dollar | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Asian $Sing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

**■ THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.65 | 95.65 | - | 95.67 | 95.64 | 117,202 | 489,683 |
| Sep | 95.23 | 95.23 | - | 95.25 | 95.21 | 134,439 | 359,777 |
| Dec | 94.76 | 94.74 | -0.02 | 94.80 | 94.73 | 74,110 | 287,522 |

**■ US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.12 | 96.09 | -0.01 | 96.13 | 96.09 | 5,582 | 36,865 |
| Sep | 95.76 | 95.73 | -0.01 | 95.75 | 95.72 | 773 | 7,027 |
| Dec | - | 95.37 | -0.01 | 95.38 | 95.37 | 11 | 2,884 |
| | | 95.08 | | | | | |

All Open interest figs. are for previous day

### BANK RETURN

| BANKING DEPARTMENT | Wednesday March 23, 1994 £ | Increase or decrease for week £ |
|---|---|---|
| **Liabilities** | | |
| Capital | 14,553,000 | |
| Public deposits | 744,292,898 | -349,940,627 |
| Bankers deposits | 1,491,594,232 | +34,509,149 |
| Reserve and other accounts | 3,453,023,253 | +23,002,006 |
| | 5,703,463,133 | -292,429,472 |
| **Assets** | | |
| Government securities | 1,182,492,429 | +178,670,000 |
| Advance and other accounts | 2,438,037,753 | -1,930,083,650 |
| Premises, equipment and other secs | 2,077,112,616 | +1,457,345,421 |
| Notes | 5,335,272 | +1,543,551 |
| Coin | 215,111 | +5,406 |
| | 5,703,463,133 | -292,429,472 |
| **ISSUE DEPARTMENT** | | |
| **Liabilities** | | |
| Notes in circulation | 17,344,664,728 | +98,356,449 |
| Notes in Banking Department | 5,335,272 | +1,543,551 |
| | 17,350,000,000 | +100,000,000 |
| **Assets** | | |
| Government debt | 11,015,100 | |
| Other Government securities | 11,480,540,040 | +2,554,448,293 |
| Other Securities | 5,858,441,860 | -2,454,448,293 |
| | 17,350,000,000 | +100,000,000 |

### LONDON RECENT ISSUES: EQUITIES

[illegible]

F.P. Fully-paid security. P.P. Part-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

### RIGHTS OFFERS

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# STOCK EXCHANGES

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

FRIDAY MARCH 25 1994

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | US Dollar Index | %chg since 31/12/93 | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg from 31/12/93 | Gross Div. Yield |
|---|---|---|---|---|---|---|---|---|
| Australia (68) | 172.93 | 3.8 | 171.21 | 114.49 | 149.96 | 161.78 | -1.1 | 3.35 |
| Austria (17) | 187.30 | 1.2 | 185.44 | 124.00 | 162.42 | 151.80 | -2.8 | 0.96 |
| Belgium (42) | 167.78 | 3.2 | 166.11 | 111.08 | 145.46 | 142.26 | -1.9 | 6.87 |
| Canada (107) | 137.06 | 0.9 | 135.70 | 90.74 | 118.65 | 136.44 | 4.8 | 2.46 |
| Denmark (32) | 259.67 | 5.0 | 257.10 | 171.82 | 225.16 | 232.23 | 1.6 | 1.00 |
| Finland (22) | 142.70 | 15.6 | 141.29 | 94.48 | 123.75 | 166.77 | 11.4 | 0.89 |
| France (98) | 173.74 | -1.3 | 172.01 | 115.02 | 150.66 | 156.78 | -4.4 | 2.97 |
| Germany (59) | 137.00 | -2.3 | 135.68 | 90.72 | 118.83 | 118.83 | -6.1 | 1.75 |
| Hong Kong (56) | 383.13 | -21.7 | 379.33 | 253.65 | 332.25 | 380.02 | -21.7 | 2.81 |
| Ireland (14) | 187.56 | 1.3 | 165.70 | 124.17 | 162.65 | 183.45 | -0.9 | 3.26 |
| Italy (69) | 77.61 | 13.2 | 76.84 | 51.38 | 97.30 | 95.61 | 8.0 | 1.76 |
| Japan (469) | 153.81 | 18.3 | 152.39 | 101.60 | 133.47 | 101.90 | 11.0 | 0.79 |
| Malaysia (69) | 450.51 | -23.8 | 446.04 | 298.26 | 390.88 | 471.07 | -23.2 | 1.61 |
| Mexico (18) | 2172.38 | -9.0 | 2150.61 | 1438.21 | 1883.82 | 7967.03 | -1.8 | 0.63 |
| Netherland (26) | 196.56 | -1.3 | 194.63 | 130.15 | 170.48 | 168.27 | -4.7 | 3.33 |
| New Zealand (14) | 65.68 | -3.3 | 65.03 | 43.48 | 56.96 | 61.61 | -4.4 | 3.79 |
| Norway (23) | 198.51 | 10.6 | 196.94 | 131.49 | 172.23 | 195.76 | 6.8 | 1.70 |
| Singapore (45) | 304.05 | -17.3 | 301.04 | 201.30 | 263.67 | 221.08 | -18.9 | 1.77 |
| South Africa (60) | 257.05 | -3.8 | 254.50 | 170.18 | 222.81 | 264.49 | 5.8 | 2.82 |
| Spain (42) | 143.80 | 3.2 | 142.37 | 95.20 | 124.70 | 149.49 | -0.9 | 3.87 |
| Sweden (36) | 208.39 | 6.1 | 206.32 | 137.98 | 180.71 | 243.51 | 0.5 | 1.57 |
| Switzerland (49) | 162.72 | 1.6 | 161.10 | 107.72 | 141.10 | 143.08 | -3.0 | 1.57 |
| United Kingdom (215) | 192.65 | -6.0 | 190.74 | 127.55 | 167.07 | 190.74 | -7.2 | 3.85 |
| USA (519) | 187.76 | -1.1 | 185.90 | 124.31 | 162.82 | 187.76 | -1.1 | 2.82 |
| EUROPE (744) | 166.88 | -0.6 | 165.22 | 110.45 | 144.71 | 157.82 | -4.4 | 2.91 |
| Nordic (113) | 203.95 | 7.4 | 201.56 | 134.78 | 176.54 | 207.23 | 2.6 | 1.35 |
| Pacific Basin (722) | 162.29 | 11.9 | 160.68 | 107.45 | 140.74 | 111.87 | 5.8 | 1.08 |
| Euro-Pacific (1466) | 164.05 | 5.8 | 162.42 | 108.61 | 142.26 | 130.01 | 1.2 | 1.86 |
| North America (626) | 184.81 | -0.9 | 182.77 | 122.22 | 160.08 | 184.16 | -0.9 | 2.80 |
| Europe Ex. UK (529) | 149.37 | 1.2 | 147.89 | 98.89 | 128.53 | 137.79 | -2.6 | 2.35 |
| Pacific Ex. Japan (253) | 244.84 | -14.7 | 242.21 | 161.96 | 212.16 | 224.84 | -15.9 | 2.73 |
| World Ex. US (1651) | 165.55 | 6.3 | 183.91 | 109.80 | 143.56 | 133.50 | 1.3 | 1.86 |
| World Ex. UK (1955) | 196.92 | 3.7 | 168.23 | 112.49 | 147.35 | 146.48 | 1.3 | 2.04 |
| World Ex. So. Af. (2110) | 171.43 | 3.0 | 196.72 | 113.49 | 148.65 | 146.57 | 0.4 | 2.21 |
| World Ex. Japan (1701) | 183.45 | -2.3 | 191.63 | 121.45 | 159.08 | 178.77 | -3.3 | 2.80 |
| The World Index (2170) | 171.93 | 2.9 | 170.22 | 113.82 | 149.08 | 150.48 | 0.4 | 2.21 |

THURSDAY MARCH 24 1994

| NATIONAL AND REGIONAL MARKETS | US Dollar Index | Pound Sterling Index | Yen Index | DM Index |
|---|---|---|---|---|
| Australia (68) | 174.27 | 173.06 | 117.07 | 151.54 |
| Austria (17) | 189.93 | 188.60 | 127.59 | 165.15 |
| Belgium (42) | 168.71 | 197.53 | 113.33 | 146.70 |
| Canada (107) | 138.60 | 137.64 | 93.11 | 120.52 |
| Denmark (32) | 261.17 | 259.34 | 175.44 | 227.09 |
| Finland (22) | 145.92 | 144.90 | 98.02 | 126.88 |
| France (98) | 174.26 | 173.05 | 117.07 | 151.53 |
| Germany (59) | 138.81 | 137.84 | 93.25 | 120.70 |
| Hong Kong (56) | 385.75 | 383.07 | 259.14 | 335.44 |
| Ireland (14) | 188.53 | 187.22 | 126.65 | 163.94 |
| Italy (69) | 76.19 | 75.66 | 51.19 | 66.26 |
| Japan (469) | 152.05 | 150.99 | 102.15 | 132.22 |
| Malaysia (69) | 457.98 | 454.79 | 307.57 | 398.24 |
| Mexico (18) | 2188.23 | 2172.96 | 1470.00 | 1902.75 |
| Netherland (26) | 197.13 | 195.78 | 132.43 | 171.42 |
| New Zealand (14) | 66.38 | 65.92 | 44.60 | 57.72 |
| Norway (23) | 199.93 | 198.54 | 134.31 | 173.85 |
| Singapore (45) | 308.91 | 306.66 | 207.45 | 268.53 |
| South Africa (60) | 263.42 | 261.58 | 176.96 | 229.05 |
| Spain (42) | 144.21 | 143.20 | 96.88 | 125.39 |
| Sweden (36) | 213.14 | 211.65 | 143.18 | 185.34 |
| Switzerland (49) | 163.45 | 162.30 | 109.80 | 142.12 |
| United Kingdom (215) | 191.78 | 190.44 | 128.83 | 180.79 |
| USA (519) | 189.21 | 167.89 | 127.11 | 164.52 |
| EUROPE (744) | 167.13 | 165.97 | 112.28 | 145.33 |
| Nordic (113) | 207.17 | 205.72 | 139.17 | 180.14 |
| Pacific Basin (722) | 160.65 | 159.76 | 108.08 | 139.87 |
| Euro-Pacific (1466) | 163.32 | 162.16 | 109.71 | 142.01 |
| North America (626) | 186.06 | 184.76 | 124.99 | 161.79 |
| Europe Ex. UK (529) | 150.15 | 149.10 | 100.87 | 130.56 |
| Pacific Ex. Japan (253) | 246.96 | 245.27 | 165.92 | 214.77 |
| World Ex. US (1651) | 164.99 | 163.84 | 110.84 | 143.46 |
| World Ex. UK (1955) | 170.12 | 168.93 | 114.28 | 147.82 |
| World Ex. So. Af. (2110) | 171.49 | 170.29 | 115.20 | 149.12 |
| World Ex. Japan (1701) | 184.54 | 183.26 | 123.97 | 160.47 |
| The World Index (2170) | 172.04 | 170.84 | 115.57 | 149.59 |

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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index)
Constituent changes during the week ending 25/3/94: Addition: Western Atlas (USA). Deletion: Matra-Hachette (France). Name change: Imcera to Mallinckrodt Group (USA).

### STOCK INDICES

| | Mar 25 | Mar 24 | Mar 23 | Mar 22 | Mar 21 | 1993/94 High | 1993/94 Low | Since comp. High | Since comp. Low |
|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3129.0 | 3121.7 | 3155.3 | 3201.5 | 3198.0 | 3520.3 | 2737.8 | 3520.3 | 986.9 |
| FT-SE Mid 250 | 3775.2 | 3795.7 | 3825.2 | 3853.1 | 3854.5 | 4152.8 | 2876.3 | 4152.8 | 1379.4 |
| FT-SE Mid 250 ex ITs | 3792.2 | 3811.9 | 3842.8 | 3872.0 | 3875.4 | 4160.7 | 2874.6 | 4160.7 | 1378.3 |
| FT-SE-A 350 | 1580.14 | 1588.3 | 1604.3 | 1625.0 | 1623.8 | 1778.3 | 1348.7 | 1778.3 | 664.5 |
| FT-SE SmallCap | 1943.29 | 1959.44 | 1978.60 | 1988.82 | 1994.96 | 2094.96 | 1377.88 | 2094.96 | 1363.79 |
| FT-SE SmallCap ex ITs | 1910.78 | 1936.28 | 1954.24 | 1968.99 | 1977.39 | 2080.72 | 1380.06 | 2080.72 | 1363.79 |
| FT-SE-A All-Share | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Mar 25 | Mar 24 | Mar 23 | Mar 22 |
|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1412.49 | 1425.41 | 1445.73 | 1438.48 |
| FT-SE Eurotrack 200 | 1449.55 | 1454.58 | 1476.00 | 1477.51 |
| FT Ordinary | 2473.1 | 2488.5 | 2493.9 | 2527.7 |
| FT Govt Securities | 96.30 | 97.63 | 98.82 | 99.05 |
| FT Fixed Interest | 117.53 | 119.31 | 119.84 | 116.79 |
| FT Gold Mines | 2185.25 | 2189.04 | 2122.27 | 2090.87 |
| Predecessor Gold Mines | 232.5 | 230.9 | 227.3 | 228.1 |

## FT GOLD MINES INDEX

[illegible]

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## BASE LENDING RATES

[illegible]

# MONEY MARKET FUNDS

## Money Market Trust Funds

[illegible]

## Money Market Bank Accounts

[illegible]

# LONDON SHARE SERVICE

## BANKS

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | | £23¼ | -.1 | 061% | ϕ | Sep May | 1.0 | 1007 |
| ANZ A$ | | 245¼ | -1.4 | 020c | 0.7 | Jan Jul | 9.12 | – |
| Abbey National | | 478xd | -1.4 | 14.8 | 2.1 | May Oct | 14.3 | 5411 |
| Allied Irish I£ | | 240xd | -5.1 | 052% | ϕ | Oct May | 28.2 | 1354 |
| Anglo Irish I£ | | 01 | -5.0 | 017.5% | 1.7 | Jan Jul | 29.11 | 1365 |
| Asahi Y | | 711 | 0.2 | 016% | 1.3 | Jan Dec | 12'92 | 3049 |
| Banco Bil Viz Pta | | [illegible] | -.6 | 027.2% | 2.7 | JyOcJaAp | 13.7 | – |
| Banco Sant Pta | | £31⅛ | | 028.1% | 2.0 | ApJyOcJa | 30.10 | – |
| Bank Leumi (UK) | | 430xd | | 20.0 | ϕ | Apr Sep | 28.2 | 1740 |
| Bk Ireland I£ | | 248 | -5.0 | 013¼% | 1.5 | Jul Dec | 15.11 | 1360 |
| Bank Scotland | | 188 | -3.8 | 4.67 | 1.0 | Dec Jul | 18.10 | 1742 |
| 9¼pc Pf | | 157 | -2.9 | 9¼% | – | May Nov | 10.10 | 1482 |
| 9¼pc Pf | | 134 | -2.5 | 9¼% | – | May Nov | 18.10 | – |
| Barclays | | 537xd | -2.7 | 18.15 | 1.3 | Oct May | 14.3 | 1734 |
| Dai Ichi Kan Y | | £12⅜ | -2.0 | 016% | 3.2 | Jan Dec | 27.8 | 3221 |
| Deutsche DM | | £315¼ | -.6 | 030% | – | May | 24.5 | 2346 |
| Espirito Santo | | £21⅝ | -2.6 | 0120c | 5.2 | Jan | 4.8 | 5187 |
| First Nat Fin | | 78 | -6.0 | 1.5 | – | Mar | 17.1 | 2571 |
| 6.3pc Cv Pf | | 86 | | 6.3% | – | Jul Jan | 4.1 | 2570 |
| 7pc Cv Pf | | 154 | -4.3 | 7.6 | – | Jul Jan | 4.1 | – |
| Fuji Bank Y | | 1495¼ | 0.8 | 017% | 2.3 | Dec Jan | 4.7 | – |
| HSBC HK | | 770xd | -4.2 | 23.5 | ϕ | Nov Jun | 14.3 | 2798 |
| HSBC (75p Shs) | | 758xd | -3.8 | 23.5 | ϕ | Nov Jun | 14.3 | 2776 |
| Lloyds | | 580xd | -2.4 | 22.1 | 2.1 | Oct May | 14.2 | 3171 |
| Mitsubishi Y | | £18 | -.0 | 017% | 2.3 | Jan Dec | 12'92 | 5290 |
| Mits Tst & Bk Y | | 985 | -1.3 | 016% | 12.4 | Jan Dec | 12'92 | 4775 |
| Mitsui Tst & Bk Y | | 727 | -6.8 | 017% | 5.6 | Jan Dec | 12'92 | 4388 |
| Nat Aust A$ | | 580¼ | -.8 | 050c | 1.7 | Jul Jan | 9.6 | – |
| NatWest | | 450xd | -5.8 | 12.8 | 1.0 | Oct May | 28.2 | 3463 |
| Ottomane FFr | | £30½ | -1.8 | 0150% | 2.3 | May | 12.5 | – |
| Ryl Bk Scotland | | 414 | -5.3 | 11.8 | 1.6 | Feb Jul | 13.12 | 3874 |
| Sakura Y | | £8⅜ | -3.0 | 017% | 3.0 | Dec Jun | 12'92 | 3831 |
| Sanwa Y | | £14⅜ | 0.4 | 017% | 2.7 | Jan Dec | 12'92 | 5198 |
| Standard Chartd | | 1057xd | -8.0 | 24.0 | 2.0 | Jan Oct | 14.3 | 4094 |
| 7 3/8pc Pf | | 93¼xd | -2.8 | 7.37 | – | Apr | 14.2 | 1719 |

## BREWERIES

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## BUILDING MATS. & MERCHANTS - Cont.

## CHEMICALS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## ENGINEERING, VEHICLES - Cont.

## EXTRACTIVE INDUSTRIES

## FOOD MANUFACTURERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

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# LONDON SHARE SERVICE

## TRANSPORT - Cont.

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| TNT AS | | 99¼ | -4.4 | – | – | – | 3'91 | – |
| Tibbett & Britten | ♣†□ | 628 | -.8 | 12.6 | 2.0 | May Oct | 4.10 | 4228 |
| Tiphook | N□ | 49 | 2.1 | 19.3 | – | Jan Oct | 2.6 | 4238 |
| Transport Dev | ♣N□ | 266xd | -4.0 | 5.5 | ф | Nov May | 14.3 | 4292 |
| Ugland Intl | □ | 122½ | -3.6 | – | – | – | 16.11 | – |
| United Carriers | □ | 153 | -3.2 | – | – | – | – | 3837 |
| Vard NKr | | 54¼ | -4 | – | – | – | – | – |
| Wah Kwong HK$ | | 144¾ | -5 | Q6½c | 4.2 | Aug Jan | – | – |

## WATER

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Anglian | ♣†N□ | 490xd | 0.1 | 21.6 | 2.6 | Oct Apr | 29.11 | 5402 |
| Bristol Water | †N | 1103 | -.2 | 31.8 | 2.3 | Feb Oct | 4.1 | – |
| Cheam A | † | 453 | -2.2 | 71.7 | 2.5 | Jan Aug | 4.1 | – |
| 8 N/V | | 438 | -2.2 | 11.0 | 2.5 | Jan Aug | 4.1 | – |
| East Surrey | † | 398 | -1.2 | 11.75 | 3.0 | Jan Jul | 13.12 | – |
| Mid Kent | †N | 390 | -1.1 | 10.75 | 2.0 | Jan Jul | 13.12 | – |
| North West | †N□ | 530xd | -.4 | 21.94 | 2.4 | Aug Apr | 13.12 | 5422 |
| Northumbrian | ♣†N□ | 636xd | -.9 | 22.5 | 3.2 | Oct Apr | 15.11 | 5412 |
| Severn Trent | ♣†N□ | 562½xd | -.3 | 21.85 | 4.1 | Oct Apr | 13.12 | 5432 |
| South Staffs | ♣† | 1555 | -2 | 48.5 | 3.0 | Jan Jul | 29.11 | – |
| South West | †N□ | 556xd | -1.6 | 24.3 | 2.3 | Sep Apr | 29.11 | 5452 |
| Southern | †N□ | 568xd | 0.5 | 21.9 | 3.1 | Oct Apr | 4.1 | 5442 |
| Thames | ♣†N□ | 513 | -3.2 | 21.5 | 2.7 | Sep Feb | 15.11 | 5462 |
| Welsh | †N□ | 637xd | -2.9 | 24.10 | 3.6 | Oct Apr | 13.12 | 5472 |
| Wessex | †N□ | 665xd | 0.6 | 28.2 | 2.5 | Oct Apr | 4.1 | 5482 |
| York W'works | ♣† | 345 | – | 8.9 | 2.3 | Jul Jan | 13.12 | – |
| Yorkshire | ♣†N□ | 514xd | -1.9 | 21.6 | 2.4 | Oct Apr | 13.12 | 5492 |

## SOUTH AFRICANS

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £22⅞ | – | Q375c | ф | Oct Apr | 3'93 | – |
| Barlow | | 84¼ | -11.5 | Q173c | 1.7 | Jan Jul | 13.12 | – |
| Gold Fields SA R | | £14⅞ | 0.4 | Q200c | 1.5 | Mar Sep | 31.1 | 2717 |
| HK Props | | 80 | – | Q44.7c | 0.3 | Feb Oct | 10.10 | – |
| SASOL | ♥ | 318 | -18.9 | Q78c | – | Oct | 23.9 | 3919 |
| SA Brews | | £12 | -12.1 | Q138c | 2.2 | Dec Jun | 13.12 | 4116 |
| Tiger Oats | | 886 | -12.1 | Q82c | 2.8 | Jan Feb | 29.11 | – |
| Tongaat-Hulett | † | 567 | -5 | Q75c | 2.4 | Feb Aug | 4.1 | – |

## TOBACCO

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| BAT Inds. | ♣gN□ | 459 | -4.0 | 20.1 | 1.6 | Jan Jun | 2.9 | 1117 |
| 12¼pc Ln '03/08 | | 212⅛ | -1.9 | Q12¼% | 28.4 | Jun Dec | 18.10 | 6040 |
| Rothmans Intl Uts | W□ | 390 | -3.4 | 12.52 | 2.5 | Aug | – | 3883 |

## TRANSPORT

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Air London | ♣ | 70 | -1.4 | 8.5 | 1.0 | Dec Jun | 1.11 | 1423 |
| All Nippon Air | | 858¼ | -4.6 | Q8% | ф | Jun | – | – |
| Assoc Br Ports | ♣N□ | 588xd | -2.9 | 9.3 | ф | Apr Nov | 14.3 | 1976 |
| BAA | †N□ | 998 | -.7 | 16.0 | 2.5 | Jan Aug | 29.11 | 1721 |
| Badgerline | □ | 114 | -4.2 | 4.1 | ф | Sep Nov | – | 3350 |
| Bergesen NKr | | £14⅞ | -2.7 | Q40% | 8.1 | May | 28.4 | 5093 |
| British Airways | †gN□ | 417½ | -2.1 | 10.65 | 1.0 | Jan Apr | 29.11 | 1891 |
| Cap 9¾pc Cv | | 195xd | -.8 | Q9¾% | – | Mar | 14.2 | 5304 |
| Cathay Pac HK$ | ♥ | 95½ | -3.4 | Q42c | ф | Jan Oct | – | – |
| Clarkson (H) | †□ | 95 | – | 1.75 | – | Nov Jul | 18.10 | 2157 |
| Dart | ♣ | 148 | – | 3.3 | 2.7 | Sep Jan | 13.17 | 1378 |
| Dawsongroup | N | 385 | -11.5 | 4.5 | ф | Jan Nov | 20.9 | 1811 |
| Eurotunnel Uts | □ | 523 | -2.2 | – | – | – | – | 4597 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Share Service

The following changes have been made to the FT Share Information Service: Additions Mithras Inv Ord & Wrts (Inv Trusts), Tring Int'l (Leis & Hotels) and United Carriers (Transport). Deletions: Baring Chrysalis C (Inv Co's) and CSX (Transport).

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

*4 pm close March 25*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993/94 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 17¾ | 11½ | AAR | 0.48 | 2.9 | 54 | 81 | 16¾ | 16½ | 16⅝ | |
| 23⅞ | 12¾ | A L Labs A | 0.18 | 1.1 | 38 | 220 | 16⅝ | 16⅝ | 16⅞ | -⅛ |
| 67¾ | 54⅞ | AMP | 1.68 | 2.7 | 21 | 1217 | 63⅛ | 61⅝ | 61¾ | -1 |
| 72¾ | 55½ | AMR | | | 25 | 2735 | 60⅞ | 25½ | 60 | +⅝ |
| 5 | 1¾ | ARX | | | 15 | 583 | 4¾ | 4½ | 4½ | -⅛ |
| 56½ | 29⅞ | ASA | 2.00 | 4.4 | 30 | 832 | 45⅞ | 45¼ | 45⅞ | +¾ |
| 30¾ | 22⅞ | AbbtL | 8.76 | 2.8 | 15 | 7031 | 27¾ | 27 | 27 | -⅛ |
| 13¾ | 6¾ | Abitibi Pr | 0.50 | 3.9 | 8 | 13 | 13⅛ | 12⅞ | 12⅞ | -⅛ |
| 15⅝ | 6¾ | Acptoocin | | | 21 | 20 | 11⅞ | 11⅞ | 11⅞ | |
| 36 | 25½ | ACE Ltd x | 6.48 | 1.5 | 4 | 360 | 26⅝ | 26⅜ | 26⅝ | [illegible] |
| 12⅝ | 10¾ | ACM Gvt In x | 1.08 | 8.5 | | 210 | 11¾ | 11½ | 11½ | [illegible] |
| 10⅛ | 8½ | ACM GvOpp x | 0.80 | 9.4 | | 38 | 8⅞ | 8½ | 8½ | +.55 |
| 10⅝ | 8¾ | ACM Gvt Sp x | 0.98 | 10.2 | | 127 | 9⅞ | 9⅝ | 9⅝ | [illegible] |
| 12¼ | 10½ | ACM Gvt Se x | 1.09 | 10.1 | | 34 | 10⅞ | 10⅞ | 10⅞ | [illegible] |
| 12¼ | 9⅝ | ACM Man x | 1.08 | 11.1 | | 231 | 9⅞ | 9¾ | 9¾ | +.84 |
| 9⅜ | 8⅜ | ACM Mangd x | 0.72 | 8.5 | | 90 | 8½ | 8⅜ | 8½ | [illegible] |
| 12⅜ | 7¾ | AcmeClv | 0.44 | 4.8 | 11 | 36 | 9½ | 9¼ | 9¼ | -⅛ |
| 11¾ | 6⅞ | Acme Elect | | | 54 | 54 | 8 | 7¾ | 7⅞ | -¼ |
| 28¼ | 18⅞ | Acordia | 0.60 | 2.2 | 14 | 109 | 28 | 27¾ | 27⅞ | -¼ |
| 9¾ | 6⅛ | Actava x | 0.36 | 5.1 | 2 | 167 | 7⅛ | 7 | 7⅛ | -⅛ |
| 16 | 10⅞ | Acuson | | | 00 | 121 | 12⅞ | 12½ | 12¾ | +⅛ |
| 21¾ | 17⅞ | Adams Expr | 0.38 | 2.1 | 8 | 71 | 17½ | 17⅜ | 17½ | +⅛ |
| 66¼ | 48½ | Ad Micro | 3.00 | 5.0 | | 308 | 61¼ | 60 | 60 | -¼ |
| 32¼ | 16¾ | AdvMic | 3.00 | 10.2 | 12 | 11226 | 30⅞ | 29½ | 29½ | -½ |
| 9⅛ | 5½ | Advest Grp | 0.16 | 2.5 | 10 | 4 | 8½ | 8⅝ | 8⅝ | |
| 24¾ | 14¼ | Advo Inc | 0.10 | 0.5 | 123 | 17 | 18½ | 18¼ | 18½ | |
| 55½ | 41⅛ | Aegon ADR | 1.23 | 2.4 | 11 | 00 | 50½ | 49⅞ | 50½ | +¾ |
| 66¼ | 43⅛ | Aetna L | 2.76 | 5.0 | 16 | 1532 | 60⅛ | 60 | 55 | -¼ |
| 34 | 24⅛ | Aflac | 0.40 | 1.3 | 13 | 2826 | 31 | 30¾ | 30⅞ | |

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

## NYSE COMPOSITE PRICES

4 pm close March 25

Continued from previous page

[illegible]

## NASDAQ NATIONAL MARKET

4 pm close March 25

[illegible]

## AMEX COMPOSITE PRICES

4 pm close March 25

[illegible]

Price data supplied by Telekurs

[illegible]

# FT GUIDE TO THE WEEK

## 28 MONDAY

### Italian elections

Monday is the second day of the Italian elections. A clear pattern may not be apparent until late on Tuesday and it may take many days to form a government. The two leading contenders are the Alliance for Freedom – led by Silvio Berlusconi's Forza Italia – and the Progressive Alliance, led by the Democratic Party of the Left.

**Ugandan polls:** Uganda holds elections for a constituent assembly that will debate President Yoweri Museveni's new constitution. The most controversial clause of the draft charter seeks to ban political parties until at least the year 2000. During the current campaign, candidates have not been allowed to identify themselves publicly with any political party, but they have been able to argue in favour of a return to party politics.

**G-15 summit:** PV Narasimha Rao, the Indian PM, hosts a three-day summit of representatives of 15 developing countries. His guests include Dr Mahathir Mohammed of Malaysia, President Suharto of Indonesia and heads of government from Nigeria, Argentina, Senegal and Zimbabwe plus cabinet-level representatives from Algeria, Brazil, Egypt, Jamaica, Mexico, Peru, Venezuela and Chile. North-south issues top the agenda.

**Nazarbayev visits Moscow**
President Nursultan Nazarbayev of Kazakhstan is scheduled to begin talks in Moscow with President Boris Yeltsin. Talks will focus on the future of the Commonwealth of Independent States, economic agreement between Russia and Kazakhstan, and the future of the Baikanur space launch centre – where a deal is now thought likely on a proposal to run the centre jointly between the two countries. Also thought to be susceptible to compromise is a quarrel between the two states on the issue of dual citizenship for the 40 per cent of the population of Russian origin.

**Radio 5 Live launched:** The BBC launches Radio Five Live, its 24-hour news and sport network, backed by an extensive advertising campaign.

The new network emerged as a compromise following the bitter row created by plans to turn Radio 4 long-wave radio over to an all news network and restrict Radio 4 to FM coverage. This would have prevented Radio 4 coverage reaching continental Europe. The loss of the Radio Five sports network also raised opposition, although sports programmes are transferring to the new network.

**Albanian president in London**
President Sali Berisha will begin the first visit of an Albanian head of state to Britain today, nearly two years after the two countries settled a long-standing dispute over Albanian gold seized in the second world war.

**FT Survey:** Risk management.

## 29 TUESDAY

### Craxi goes on trial

Former Italian prime minister Bettino Craxi goes on trial in Milan, becoming the highest ranking politician yet to face charges in the country's corruption scandals.

The trial begins a day after a general election based on a new electoral system in which three-quarters of deputies in the parliament's lower house will be elected on a first-past-the-post basis. About a fifth of the parliament's outgoing members have been involved in the corruption inquiries.

Mr Craxi, former leader of the Socialist party, is to be tried over bribes alleged to have been paid by an insurance group for contracts with Eni, the state energy concern. Mr Craxi, who denies the charges, faces a possible maximum jail sentence of five years.

**Cairo talks resume**
Talks resume to put the finishing touches to the deployment of Norwegian observers and Palestinian police in Hebron, where an Israeli fanatic massacred Moslems last month.

**EU argues over mad cows**
The UK and Germany confront each other at a meeting of EU agriculture ministers over Bonn's wish to ban British beef imports because of fear of "mad cow disease", or bovine spongiform encephalopathy (BSE). The European Commission will tell Germany that it will take legal action if it introduces a unilateral ban. Health ministers of the 12 will also discuss the BSE row on Wednesday.

**Loch Ness submarine**
The first submarine to take passengers on a deep dive to try to glimpse the Scottish lake's elusive monster will be launched.

**Japanese retail sales**
The Japanese economy may be reaching the bottom of its long downturn but retail sales remain sluggish. Figures out today are expected to show a 2.5 per cent decline in the year to February. In the year to November, the fall was 6.9 per cent. Rising unemployment is expected to limit the ability of retail sales to rebound.

**Heseltine to defend takeover**
Mr Michael Heseltine, UK trade and industry secretary, is to be questioned by MPs over the takeover of Newspaper Publishing, owner of The Independent and The Independent on Sunday, by a consortium backed by Mirror Group Newspapers. Mr Heseltine decided last week not to refer the deal to the Monopolies and Mergers Commission on the grounds that the papers were not economic as going concerns.

**FT Survey:** Rhone Alpes.

## 30 WEDNESDAY

### Clarke meets Bank head

The monthly monetary meeting between Kenneth Clarke, chancellor of the exchequer (left), and Eddie George, governor of the Bank of England, will consider the merits of a cut in interest rates. The weakness of sterling and last week's disappointing inflation figures may point them away from a cut; however, Mr Clarke may be keen to reduce rates to offset the impact of the 1994-95 tax increases and to create some good news ahead of the May local elections.

**Highways Agency born**
The Highways Agency, which will take over the detailed implementation of Britain's road building and maintenance programme from the Department of Transport, comes into being. Nearly 2,500 civil servants will transfer into the agency which will pay its senior officials on a performance-related basis depending on the speed and efficiency with which they build roads. Also the Maritime Safety Agency and Coastguard Agency take over responsibility for ship safety, maritime pollution and emergency rescue services at sea.

**Pensions debate:** MPs will discuss personal pensions and the need for direct regulation of the private pension sector. The full-scale House of Commons debate is set to focus on concerns about the mis-selling of personal pensions to those leaving or transferring out of occupational pension schemes; and to those contracting out of the state earnings-related pension scheme.

It will also cover the controversy about the right system of regulating financial services for the private investor. The government backs the planned personal investment authority – which also has the support of the Prudential, the biggest UK life company – while Labour would prefer direct, statutory regulation.

**EU and Lithuania talk trade:** The European Union and Lithuania hold the second round of talks on a free trade agreement.

**Japanese industrial production**
The figures are expected to show a seasonally adjusted monthly rise of 2.1 per cent, compared with a 1 per cent increase in January. However, production will still be lower than it was a year ago.

**Indian trade policy**
India will make its annual statement on trade policy, which is likely to include further important measures to liberalise imports and exports.

**FT Survey:** Investing in India; Japanese Financial Markets

## 31 THURSDAY

### CIS hears Russia's terms

The Commonwealth of Independent States' leaders come together in Moscow. Russia's proposal for a "rouble zone" is likely to be pressed once more – but the Belarussian representatives will ask why their efforts to become more closely integrated with Russia have so far been repelled.

The new members from the Caucasus, Georgia and Azerbaijan, will press Russia to settle the conflicts on their territories and in the former's case, salvage its collapsed economy. Ukraine, where elections may reveal a swing towards pro-Russian political forces, has the problem of indebtedness to Russia for energy to settle – and that of the ownership of the Black Sea Fleet.

Russia is likely to make it clear that the terms for assistance are becoming increasingly steep, and that if the countries want help, they must act as hosts to the Russian army and support the Russian political line.

**Clinton's unacceptable list**
The Clinton Administration plans to issue a preliminary list of what it considers unacceptable trade barriers implemented by foreign nations against American exports. On March 3 President Clinton revived the Super 301 trade policy weapon, allowing him to impose sanctions against targeted countries if they fail to dismantle barriers to American exports.

**Commons recess:** The House of Commons will break for Easter between March 31 and April 12.

**Nicholson arraigned:** Actor Jack Nicholson is scheduled to be arraigned in Los Angeles on charges stemming from an incident in which he is alleged to have smashed another driver's windscreen with a golf club.

**Romanian budget delay:** Romania has until today to adopt a 1994 budget, otherwise, under the constitution, last year's budget will come into force. The delay is holding up a $700m International Monetary Fund loan package.

**French unemployment figures**
The French government will be hoping that February's unemployment figures will show a slowdown in the rise of joblessness. Economists expect another increase, although they believe that the rate is unlikely to rise much above the current level of 12.2 per cent.

One in four young people between the ages of 16 and 25 are out of work, the highest rate in the G7 group of industrialised countries. Attempts to reduce youth unemployment, through the introduction of apprentice schemes under which 16-25 year olds can be paid less than the minimum wage, have, however, prompted widespread student demonstrations.

**Air France ultimatum:** Air France has given its 14 unions until today to agree to a plan to boost productivity by 30 per cent at the loss-making state-owned airline over three years.


Il Cavaliere: Silvio Berlusconi awaits the electorate's verdict

## 1 GOOD FRIDAY

### British Rail dismantled

British Rail takes another important step towards its eventual privatisation with the handing over of BR's tracks, signalling and stations to Railtrack, a newly created company. Some 25 passenger train operating units, corresponding to BR's existing profit centres, will take over the running of trains. Three rolling stock leasing companies will be set up to lease locomotives and carriages to the train operators.

**UK tax changes bite:** Value added tax is imposed on domestic fuel, at 8 per cent, rising to 17.5 per cent next year, and prescription charges rise from £4.25 to £4.75, an 11.6 per cent increase. Many householders have been pre-paying their gas and electricity bills to avoid VAT.

**Maghreb summit:** Tunisia, Algeria, Morocco, Libya and Mauritania, who together form the Maghreb Arab Union, will hold their annual summit on April 2 and 3 in Tunis.

**Hungary bids to join EU:** Hungary submits its formal bid to become a full member of the EU – the first ex-Warsaw Pact state to do so.

## 2-4 SATURDAY – MONDAY

### Brazilian election deadline

April 2 marks the final deadline for Brazilian ministers, mayors and governors to resign if they wish to run in this year's presidential, gubernatorial and congressional elections, due in October.

All eyes will be on finance minister Mr Fernando Henrique Cardoso, who has appeared undecided whether to run for president. One presidential hopeful expected to stand is Mr Paulo Maluf, mayor of Sao Paulo.

**Zhirinovsky congress:** The extreme right-wing Liberal Democratic Party of Vladimir Zhirinovsky holds its congress on Saturday. Despite the party's success in December's Russian elections, he is expected to face strong criticism for his extremist outbursts and meddling in the internal affairs of eastern European states.

UN secretary-general Boutros Boutros-Ghali will visit Russia from April 1-5.

**US summer time:** US clocks go forward on Sunday.

*Compiled by Robert Anderson.*
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# ECONOMIC DIARY

### Other economic news

Monday: Monthly mortgage lending figures, released by the British Bankers' Association, will be watched for signs of the strength of the UK housing market.

Wednesday: The Bank of England will hold a £2.5bn auction of floating rate gilts, the first floating rate issue since the 1970s. Banks and building societies are expected to be the main buyers. The monthly monetary report, published to coincide with the meeting of the governor of the Bank and the chancellor of the exchequer, is largely a compendium of statistics. Nevertheless, it will be scrutinised for hints of future interest rate policy.

Thursday: Italian inflation figures, which could be published today, are expected to show an annual rise in the year to March of 4.2 per cent, unchanged from the February rate.

Friday: Although most markets will be closed, analysts will be watching for details of US non-farm payrolls in March. Improved weather is expected to have boosted the construction industry in March, helping payrolls to rise by 230,000. Some analysts feel, however, that February's 217,000 jump in payrolls could be revised down.

### Statistics to be released this week

| Day Released | Country | Economic Statistic | Median Forecast | Previous Actual |
|---|---|---|---|---|
| Mon | Japan | Jan personal consumer expend** | - | 0.4% |
| Mar 28 | | Jan PCE - workers** | - | -0.2% |
| | | Jan income - workers** | - | -0.2% |
| | Germany | March cost of living - Bavaria* | 0.2% | 0.2% |
| Tue | US | Feb new home sales | 715,000 | 695,000 |
| Mar 29 | | March consumer confidence | 81.0 | 80.8 |
| | | Feb export price index | - | 0.7% |
| | | Feb import price index | - | -0.1% |
| | | Johnson Redbook w/e March 26 | - | 4.5% |
| | Japan | Feb unemployment rate | - | 2.7% |
| | | Jan coincident index | - | 25% |
| | | Jan leading diffusion index | - | 36.4% |
| | | Feb retail sales** | -2.5% | -2.4% |
| | Canada | Feb ind prod price index* | 0.4% | flat |
| | | Feb raw material price index* | 0.6% | 2.3% |
| Wed | US | Feb factory orders | -1.2% | 2.1% |
| March 30 | | Feb factory inventories | - | 0.3% |
| | | March agriculture prices | - | flat |
| | Japan | Feb industrial production | 2.1% | 1.0% |
| | Canada | Jan fix-weighted emp earnings** | 1.3% | 1.4% |
| | Aus'lia | Feb current account | -A$1.4bn | -A$1.26bn |
| | | Feb building approvals | -1.0% | 6.1% |
| Thur | US | Q4 GDP - final | 7.3% | 7.5% |
| March 31 | | Q4 GDP deflator – final | 1.3% | 1.3% |
| | | Q4 after tax corporate profit | 7.0% | 0.7% |
| | | Initial claims w/e March 26 | 339,000 | 340,000 |
| | | state benefits w/e March 19 | - | 2,781,000 |
| | | March Chicago NAPM | - | 60.3% |
| | | money supply w/e March 21 | - | - |
| | Japan | Feb construction orders** | - | -9.0% |
| | | Feb housing starts** | 10.2% | -20.7% |
| | | Feb construction starts** | - | 3.4% |
| | France | Feb unemployment rate | 12.2% | 12.2% |
| | Canada | Jan real GDP - factor cost* | 0.3% | 0.4% |
| Fri | US | March non-farm payrolls | 230,000 | 217,000 |
| April 1 | | March manufacturing payrolls | 15,000 | 12,000 |
| | | March hourly earnings | 0.3% | 0.2% |
| | | March average workweek | - | 34.3% |
| | | March unemployment rate | 6.5% | 6.5% |
| | | Feb personal income | 0.8% | -0.3% |
| | | Feb personal consumer expenditure | 0.7% | 0.5% |
| | | March Michigan sentiment - final | - | 92.1 |
| | | Feb construction spending | - | -1.2% |
| | Japan | March auto sales** | - | -8.4% |
| | | March forex reserves* | - | 2.6% |
| During this week... | | | | |
| | Japan | Feb current account | $12.2bn | $6.8bn |
| | Germany | March cost of living - prelim* | 0.2% | 0.3% |
| | Italy | Jan industrial production* | 0.4% | 0.9% |

*month on month, **year on year. *Statistics, courtesy MMS International.*

# MONDAY PRIZE CROSSWORD

## No.8,415 Set by DANTE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday April 7, marked Monday Crossword 8,415 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 11.

Name.......................................................

Address....................................................

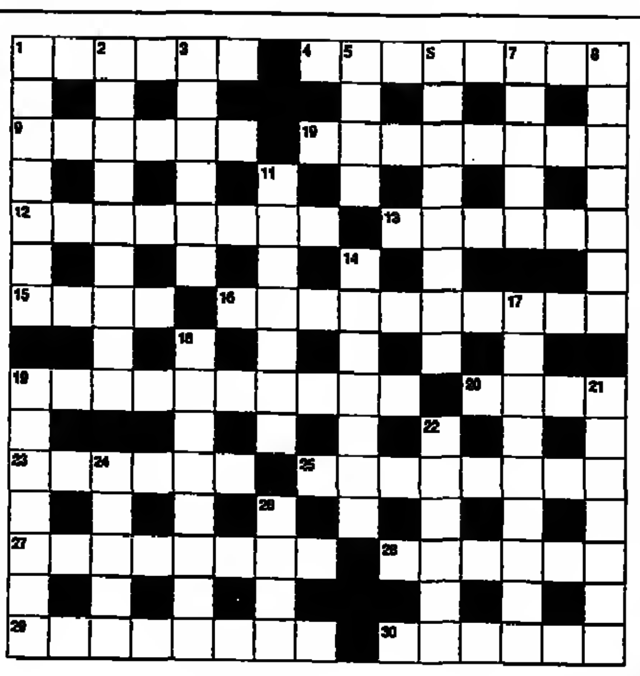
..............................................................

**ACROSS**

1 Had a nibble at a piece of food, none too fresh (3,3)
4 For Wagnerian hero, standard fails unexpectedly (6)
9 Republic is to bring back a king (6)
10 Nothing more than a captaincy for a Royal Marine (6)
12 Steps outside an upper window (8)
13 Where people make pots on a wheel? (6)
15 You have the right of ownership (4)
16 It's wet and fine at the same time (6,4)
19 Bad spelling (5,5)
20 Said goodbye, perhaps, but remaining (4)
23 A piano note wrongly recorded (2,4)
25 It enables one to raise the standard (4-4)
27 The ultimate result may be to cause maiming (8)
28 Dangers for those mounting ladders on board (6)
29 Political favours? (8)
30 Study some in deep depression (6)

**DOWN**

1 Insect settled on the cheese for a short while (7)
2 Thanks to natural evolution, it has a maddening bite (9)
3 Variation of diet is foul (6)
5 Cry from a small boat (4)
6 Fellow feeling pity, perhaps (8)
7 Plants gun if deception is required (5)
8 A warning to the introvert (4,3)
11 Indian food wild cat swallowed (7)
14 The way Lydia moves primly (7)
17 Puck is given the push in this (3,6)
18 Jocular air minister? (3-5)
19 Mistake a flower (7)
21 The reason he left crime (7)
22 Programme information in commercial article (6)
24 Emperor gave America the bird early on (5)
26 Pen a note for the doctor to look at (4)



**Winners 8,403**

W.D. Sharp, Leamington Spa, Warwickshire
P. Adams, London SE1
Gill Anslow, Worplesdon, Surrey
S. Dunning, Blanefield, Glasgow
D. Parsons, Cyncoed, Cardiff
A.W. Walsh, St Albans, Herts

**Solution 8,403**